



**CHINA 33 MEDIA GROUP LIMITED**  
**中國三三傳媒集團有限公司**

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8087

**ANNUAL REPORT 2019**

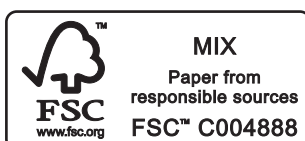
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**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report for which the directors (the "Directors") of China 33 Media Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



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## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Ruan Deqing (*Chairman*)  
Mr. Peng Lichun  
Mr. Ma Pun Fai

#### Independent non-executive Directors

Ms. Tay Sheve Li  
Ms. Yu Shun Yan Verda  
Mr. Yau Kit Yu

### AUDITOR

HLB Hodgson Impey Cheng Limited  
31/F Gloucester Tower,  
The Landmark,  
11 Pedder Street, Central  
Hong Kong

### AUTHORISED REPRESENTATIVES

Mr. Ruan Deqing  
Mr. Yeung Man Sun

### COMPANY SECRETARY

Mr. Yeung Man Sun

### COMPLIANCE OFFICER

Mr. Ruan Deqing

### AUDIT COMMITTEE MEMBERS

Ms. Tay Sheve Li (*Chairperson*)  
Ms. Yu Shun Yan Verda  
Mr. Yau Kit Yu

### REMUNERATION COMMITTEE MEMBERS

Ms. Tay Sheve Li (*Chairperson*)  
Mr. Ruan Deqing  
Ms. Yu Shun Yan Verda

### NOMINATION COMMITTEE MEMBERS

Ms. Yu Shun Yan Verda (*Chairperson*)  
Mr. Peng Lichun  
Ms. Tay Sheve Li

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

### HEAD OFFICE IN THE PRC

Unit 410-412, 4/F.,  
One Indigo,  
20 Jiuxianqiao Road,  
Chaoyang District,  
Beijing,  
China

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

Suite 2001  
Tower 1  
China Hong Kong City  
33 Canton Road  
Tsimshatsui  
Hong Kong

# CORPORATE INFORMATION

## PRINCIPAL BANKERS

Bank of Communications Co., Ltd  
Bank of China (HK) Limited  
China Construction Bank (Asia) Corporation Limited

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## WEBSITE ADDRESS

<http://www.china33media.com>

## STOCK CODE

8087

## CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "Year"). 2019 is a year that the Group keeps developing the existing business focus which were 1) prepaid card business; 2) investment on film and entertainment industries; and 3) exploring the new segment on digital advertising business.

### FINANCIAL HIGHLIGHTS

During the Year, the Group's revenue increased from approximately RMB68,639,000 to RMB79,568,000, representing an increase of 15.9% as compared to last year, on the account that new revenue contributed by the digital advertising business, as well as increased revenue from prepaid business, partly offset by the decrease in revenue from film and entertainment investment. During the Year, the total comprehensive loss attributable to the owner of the Company was approximately RMB63,940,000, representing an increase of approximately RMB55,779,000 or 683.5% from RMB8,161,000 as compared to last year, which was mainly due to the increased revenue offset by the provision for film rights and impairment loss for refundable deposits for termination of film investments recognized during the Year.

### PROSPECTS

Looking ahead to 2020, the Group will continue to focus on its business development on various segments, in particular the newly acquired digital advertising business. The Group expects will face tough challenges from fast changing economic conditions, and the global outbreak of Coronavirus Disease 2019 (COVID-19). The Group estimates that in light of the current special circumstances, the financial performance of the Group may be affected by the COVID-19 outbreak in year of 2020, especially in the film and entertainment segment and prepaid card business. However, the Group believes that the current circumstances provide opportunities to boost the digital advertising business, in the view that merchants will try to promote their products and services more intensively after the COVID-19 pandemic. The Group and its management and employees will continue to work as a whole to cope with the situation, strengthen cost control and adopt appropriate measures to develop our business in year ahead.

# CHAIRMAN'S STATEMENT

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank the management and all the staff for their hard work and dedication to the Group, as well as the shareholders and customers for their support over the years. The management is confident in achieving better results in the future, creating added value for the Group, shareholders and all staff.

**Ruan Deqing**

*Chairman*

Hong Kong, 14 May 2020



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The principal business of the Group during the Year included outdoor and digital advertising, film and entertainment investment, prepaid card business as well as printed media advertising. The Group maintain the sustainability of its business by continuing on the prepaid card business, investment on film and entertainment and shifting from traditional printed media advertising to outdoor and digital advertising. The revenue contributed from each of the segments for the Year are set out below.

## FINANCIAL REVIEW

The Group's revenue for the Year amounted to approximately RMB79,568,000, representing an increase of approximately RMB10,929,000 or 15.9% as compared to that of last year of approximately RMB68,639,000. The Group recorded a total comprehensive loss attributable to owners of the Company for the Year of approximately RMB63,940,000, representing an increase of approximately RMB55,779,000 or 683.5% as compared to that of last year of approximately RMB8,161,000.

## REVENUE BY SEGMENT

Analysis of revenue by segment is as follows:

	2019 RMB'000	2018 RMB'000	Change (%)	2019 % of total revenue	2018
Printed media advertising	1,134	15,952	(92.9)	1.4	23.2
Outdoor and digital advertising	44,774	10,107	343.0	56.3	14.7
Film and entertainment investment	19,209	33,079	(41.9)	24.1	48.2
Prepaid card	14,451	9,501	52.1	18.2	13.9
	79,568	68,639	15.9	100.0	100.0

### Printed Media Advertising

With downsizing of the printed media advertising since 2016 resulting in a significant drop in revenue, printed media advertising becomes a niche segment of the Group. Revenue from printed media advertising mainly represented the amount generated from the sales of the advertising space on the periodicals and was recognised upon the publication of the periodicals in which the respective advertisement was placed. "旅伴" (Fellow Traveller) is a monthly nationwide periodicals distributed on China Railway High-speed ("CRH") trains and selected regular trains in the PRC. Revenue from placing advertising on "旅伴" (Fellow Traveller) was the only source of revenue for the printed media advertising segment for the Year.

Revenue from printed media advertising decreased by approximately RMB14,818,000 or 92.9% from approximately RMB15,952,000 for the year ended 31 December 2018 to approximately RMB1,134,000 for the Year. The decrease was mainly due to decrease in number of customers placing advertisements in periodical "旅伴" (Fellow Traveller).



# MANAGEMENT DISCUSSION AND ANALYSIS

## Outdoor and Digital Advertising

Revenue from outdoor advertising represented the advertising income generated from the sales of advertising spaces on the billboards and LEDs installed at certain selected train stations and revenue from promotion campaign conducted in some train stations. Revenue was recognised when advertising was published or station campaigns were launched.

The Group acquired a new advertising business in 2019—the digital advertising. Digital advertising income was recognized when advertising was published, and the income was based on the marketing value generated through the recognition of transaction volume, service fees for advertising design, analysis, planning and other services provided in the process.

Revenue from outdoor and digital advertising increased by approximately RMB34,667,000 or 343.0% from approximately RMB10,107,000 for the year ended 31 December 2018 to approximately RMB44,774,000 for the Year. The increase was mainly due to increased income generated from newly acquired advertising business.

## Film and Entertainment Investment

Revenue from film and entertainment investment represents profit sharing on box office of movies and concerts and distribution income of film rights and television drama. Revenue from the distribution of film rights and entertainment was recognised when (i) the Group's entitlement to such payments has been established which was upon the delivery of the master copy or materials to the customers, and (ii) the collectability of proceeds was reasonably assured. Revenue from film and entertainment investment decreased by approximately RMB13,870,000 or 41.9% from approximately RMB33,079,000 for the year ended 31 December 2018 to RMB19,209,000 for the Year. The frequency of income from film and entertainment investment was highly depending on the production status and the market trend for the respective periods. The reason for reduction in revenue was an entertainment show cannot obtain the broadcasting permit in the PRC, so the distribution income was reduced.

## Prepaid Card

The Group obtained the Stored Value Facilities License ("SVF License") in November 2016. Revenue from prepaid card mainly represents the transaction fees recognised when the prepaid cardholders made payments of fares using the prepaid card and the card related fees when the service was provided. Revenue from prepaid card business increased by approximately RMB4,950,000 or 52.1% from approximately RMB9,501,000 for the year ended 31 December 2018 to approximately RMB14,451,000 for the Year. This was due to significant increase in both number and amount of prepaid cards sold in 2019 when compared with that of last year, in particular the card management fee received with growing volume of prepaid card sold.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SEGMENT RESULTS AND PROFIT/(LOSS) MARGIN OF SEGMENT

Analysis of segment results is as follows:

	Revenue		Cost		Segment results		Change	
	2019	2018	2019	2018	2019	2018		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	%
Printed media advertising	1,134	15,952	2,612	14,354	(1,478)	1,598	(3,076)	(192.5)
Outdoor and digital advertising	44,774	10,107	40,539	8,338	4,235	1,769	2,466	139.4
Film and entertainment investment	19,209	33,079	82,917	36,240	(63,708)	(3,161)	(60,547)	1,915.4
Prepaid card	14,451	9,501	20,967	21,492	(6,516)	(11,991)	5,475	(45.7)
	79,568	68,639	147,035	80,424	(67,467)	(11,785)	(55,682)	472.5

During the Year, the segment results of printed media advertising recorded a segment loss of approximately RMB1,478,000, representing a decrease of approximately 192.5% as compared to segment profit of approximately RMB1,598,000 for last year. The decrease in segment margin was due to the significant reduction in number of customers.

Segment results of outdoor and digital advertising recorded a segment profit of approximately RMB4,235,000 for the Year, representing an increase of approximately 139.4% as compared to that of approximately RMB1,769,000 for last year. The improvement in segment result was contributed by the more income generated from the new digital advertising in 2019.

Segment loss from film and entertainment business for the Year amounted to approximately RMB63,708,000, representing a significant increase of approximately RMB60,547,000 or 1,915.4% as compared to that of last year. It was mainly due to the provision for film rights of approximately RMB19,888,000 made to an entertainment show which cannot obtain the broadcasting permit in the PRC and the impairment loss for refundable deposits for termination of film investments of approximately RMB26,278,000 recognised based on the impairment assessment performed by the Group.

Segment loss from prepaid card business for the Year amounted to approximately RMB6,516,000, representing a decrease of approximately RMB5,475,000 or 45.7% as compared to that of last year, which was approximately RMB11,991,000. The improved segment result was contributed by increased number of prepaid cards sold and amount of prepaid cards sold bringing more transaction related services fees, as well as more card management fee received with growing volume of prepaid card sold.

Overall, there was an increase in the segment loss of approximately RMB55,682,000 to loss of RMB67,467,000, representing an increase of approximately 472.5% from approximately RMB11,785,000 as compared to that of last year mainly due to the increased revenue offset by the provision for film rights and impairment loss for refundable deposits for termination of film investments recognised during the Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of profit/(loss) margin of segment is as follows:

	Profit/(loss) margin of segment	
	2019 %	2018 %
Printed media advertising	(130.3)	10.0
Outdoor and digital advertising	9.5	17.5
Film and entertainment investment	(331.7)	(9.6)
Prepaid card	(45.1)	(126.2)
Loss margin of all segments	(84.8)	(17.2)

Profit margin of printed media advertising segment has decreased from approximately 10.0% for last year to loss margin of approximately 130.3% for the Year due to the significant reduction in number of customers and the revenue was not able to cover the fixed cost.

Profit margin of outdoor and digital advertising segment decreased from approximately 17.5% last year to approximately 9.5% for the Year. The reduction in segment margin was due to the new digital advertising business has a lower profit margin than station campaigns conducted last year.

The segment on film and entertainment investment has a loss margin increased from approximately 9.6% last year to approximately 331.7% for the Year, due to the provision for film rights and impairment loss for refundable deposits for termination of film investments recognised during the Year.

Loss margin for prepaid card decreased from approximately 126.2% for the last year to approximately 45.1% for the Year. The reason for the improvement in loss margin was contributed by more Unionpay prepaid card sold which has a higher profit margin, and increased in card and transaction related income due to more card sold when compare to last year.

The overall loss margin as a whole increased from approximately 17.2% for last year to approximately 84.8% for the Year.

## OTHER INCOME

There was other income of approximately RMB1,482,000, compared to last year of RMB600,000. The increase was mainly contributed by the other income received from managing a prepaid card sales counter for a co-branded partner.

## COST OF SALES

Cost of sales mainly consists of production cost for film and entertainment projects, agency fee for advertising medium, prepaid card transaction processing costs and direct labor cost. Cost of sales increased from approximately RMB65,743,000 for last year to RMB72,318,000 for the Year, representing an increase of approximately 10.0%. The increase was mainly contributed by the increased cost, in particular the agency and production cost driven by the new digital advertising business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly include advertising expenses, salaries, commissions to sales staff and travelling and related expenses. It accounted for approximately 7.7% and 6.9% of the Group's total revenue for the years ended 31 December 2018 and 2019, respectively. The amount increased by approximately 4.0% from approximately RMB5,309,000 for last year to approximately RMB5,520,000 for the Year. The increased in the selling expense was mainly due to the increase in the promotion expenses for the digital advertising business, off-set by reduction in the sales commission to the sales staff, as there was no commission scheme for the segments on digital advertising and film and entertainment business.

## ADMINISTRATIVE EXPENSES

Administrative expenses mainly consists of salaries, depreciation of fixed assets, rental expense and legal and professional fees. Administrative expenses increased by approximately 19.8% from approximately RMB23,999,000 for the last year to approximately RMB28,752,000 for the Year. The increase in administrative expense was mainly due to the share option expenses for the options granted during the Year.

## OTHER GAINS AND LOSSES

Other gains and losses increased by approximately 169.7% from approximately of RMB6,083,000 to approximately RMB16,404,000. The increase was mainly contributed by the increase in allowance for expect credit losses on trade receivable due to the higher expected credit loss rates as compared to last year.

## INCOME TAX EXPENSE

The income tax expense of the Group for the Year was approximately RMB56,000 (2018: RMB43,000) at the effective tax rate of 0.1% (2018: 0.1%).

## TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET LOSS MARGIN

Total comprehensive loss attributable to the owners of the Company for the Year amounted to approximately RMB63,940,000, representing an increase of approximately RMB55,779,000 or 683.5%, as compared to approximately RMB8,161,000 for last year. Net loss margin of the Group was approximately 111.2% as compared to approximately 46.7% for last year.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's cash and cash equivalents, including bank balances and cash on hand, and short-term bank deposits with original maturities of more than three months, amounted to approximately RMB18,573,000, representing a decrease of approximately RMB12,177,000 or 39.6%, as compared to approximately RMB30,750,000 as at 31 December 2018.

As at 31 December 2019, the current ratio was approximately 2.92 (2018: 4.45) and the gearing ratio of the Group was approximately 0.08 (2018: 0.03) which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt. The Group satisfied its working capital needs principally from internally generated cash flow from operating activities.



# MANAGEMENT DISCUSSION AND ANALYSIS

## PLEDGE OF ASSETS

As at 31 December 2019, the Group has approximately RMB2,968,000 (2018: RMB2,858,000) pledged bank deposits to secure a banking facility, denominated in HKD.

## RESTRICTED CASH

As at 31 December 2019, the Group has approximately RMB86,153,000 (2018: RMB47,020,000) monies received from sale and reloading of prepaid cards maintained in one or more segregated bank accounts. The increase in restricted cash by approximately 83.2% when compared to last year's was contributed by increase in the amount of prepaid cards sold.

## CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

## CAPITAL COMMITMENTS

As at 31 December 2019, the Group did not have any significant capital commitments (2018: Nil).

## CAPITAL STRUCTURE

During the Year, the Group had net assets of approximately RMB362,711,000 (2018: RMB431,741,000), comprising non-current assets of approximately RMB91,238,000 (2018: RMB114,369,000), and current assets of approximately RMB413,162,000 (2018: RMB409,638,000). The Group recorded a net current asset position of approximately RMB271,860,000 (2018: RMB317,372,000), which primarily consists of film rights amounted to approximately RMB93,012,000 (2018: RMB112,442,000), prepayment for film and entertainment business amounted to approximately RMB110,513,000 (2018: RMB96,967,000), cash and bank equivalents, restricted cash and bank deposits amounted to approximately RMB107,694,000 (2018: RMB80,628,000), prepayments, deposits and other receivables amounted to approximately RMB23,828,000 (2018: RMB51,848,000), financial assets at fair value through profit or loss amounted to approximately RMB2,348,000 (2018: RMB4,022,000) and trade receivables amounted to approximately RMB75,767,000 (2018: RMB63,461,000). Major current liabilities were trade payables, other payables and accruals and contracted liabilities amounted to approximately RMB22,090,000 (2018: RMB15,419,000), approximately RMB109,132,000 (2018: RMB75,637,000) and approximately RMB8,311,000 (2018: 737,000), respectively. The Group has no bank borrowings.

## FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of the transactions settled in Renminbi for media business, while film and entertainment investment and prepaid card business were mainly settled in Hong Kong Dollars. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars and Renminbi. The Directors consider that the Group's risk in foreign exchange is insignificant. During the Year, the Group did not hedge any exposure in foreign currency risk.

# MANAGEMENT DISCUSSION AND ANALYSIS

## HUMAN RESOURCES

As at 31 December 2019, the Group employed a total of 51 employees (2018: 40 employees) situated in the PRC and Hong Kong. The increase was mainly due to the headcounts for the new digital advertising business. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the Year under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB9,589,000 (2018: RMB12,201,000).

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group had no significant investments, material acquisition or disposal of subsidiaries, associates and joint ventures during the Year. The Group has no specific plan for material investments or capital assets as at 31 December 2019.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance and to comply, to the extent practicable, with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. Except for the following deviations, the Directors consider that the Company has complied with the CG Code during the year ended 31 December 2019.

Code provision A.4.1 of the CG Code stipulates that the non-executive directors should be appointed for a specific term and subject to re-election. Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu, being the independent non-executive Directors, are not appointed for a specific term but are subject to retirement by rotation and re-election under the articles of association of the Company.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Directors, Mr. Yau Kit Yu was unable to attend the annual general meeting of the Company held on 17 May 2019.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend annual general meetings. Due to other business engagement, the chairman, Mr. Ruan Deqing, was unable to attend the annual general meeting of the Company held on 17 May 2019.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders of the Company and investors.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors during the Year.

## BOARD COMPOSITION

The Board comprises the following Directors:

### Executive Directors

Mr. Ruan Deqing (*Chairman*)

Mr. Peng Lichun

Mr. Ma Pun Fai

### Independent non-executive Directors

Ms. Tay Sheve Li

Ms. Yu Shun Yan Verda

Mr. Yau Kit Yu



# CORPORATE GOVERNANCE REPORT

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 39 to 41 in this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that can contribute to the business of the Group. During the year ended 31 December 2019, the Company has complied with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Board has received an annual confirmation of independence from each of the independent non-executive Directors. The Company considers all the independent non-executive Directors to be independent in accordance with the guidelines for assessment of their independence pursuant to Rule 5.09 of the GEM Listing Rules.

## THE BOARD

The Board is responsible for the leadership and control of, and promoting the success of the Group. This is achieved by setting up corporate and strategic objectives and policies, and the monitoring and evaluating operating activities and financial performance of the Group.

All the Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

There is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board.

## RESPONSIBILITIES AND DELEGATION OF FUNCTIONS

The Company has formalised and adopted written terms on the division of functions reserved to the Board and those delegated to the management. The Board reserves for its decision on all major matters of the Group, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary (the "Company Secretary") and senior management of the Company, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board. The day-to-day management, administration and operations of the Group are delegated to the senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board's decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board's approval.

# CORPORATE GOVERNANCE REPORT

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing to ensure a balance of power and authority. Mr. Ruan Deqing serves as the Chairman of the Company and is responsible for overall business development strategy and major business decisions of the Group. The executive Directors, department heads and various committees collectively oversees the day-to-day management and operations of the Group, which fulfils the function of chief executive officer in substance.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Directors are subject to retirement by rotation in accordance with the Company's articles of association. According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire every year shall be those who have been longest in office since their last re-election or appointment.

## TERM OF APPOINTMENT OF DIRECTORS

Please refer to the paragraph headed "Report of the directors – Directors' service agreements" in this annual report for the term of appointment of the Directors, including the independent non-executive Directors.

# CORPORATE GOVERNANCE REPORT

## BOARD DIVERSITY POLICY

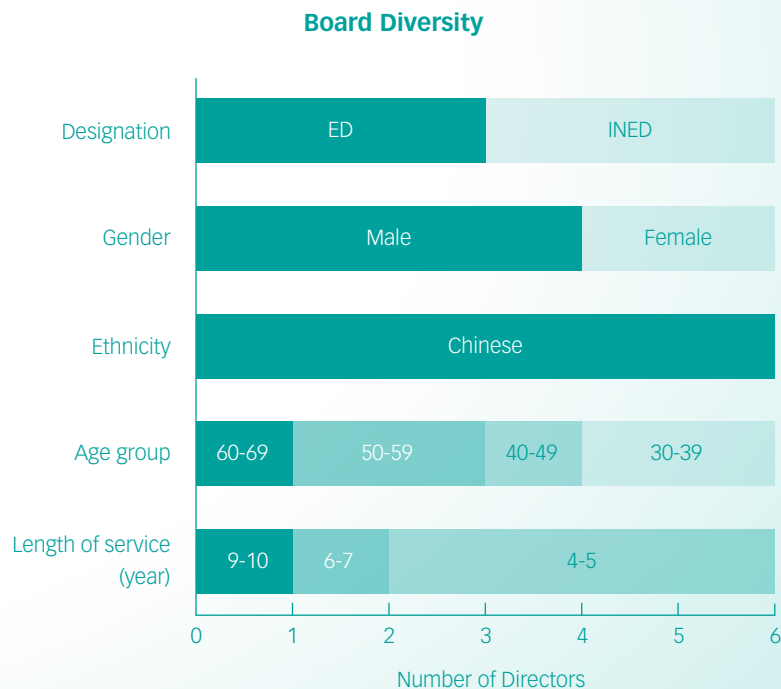
The Company adopted a board diversity policy (the “Board Diversity Policy”) on 12 August 2013. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

### Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aims at setting out the approach to achieve diversity of the Board. In determining the Board’s composition, difference in the skills, regional and industry experience, background, race, gender and other qualities of Directors will be taken into account. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regards to the benefits of diversity of the Board.

### Measurable objectives

For the purpose of implementing the Board Diversity Policy, the Board has adopted and the Company has achieved a range of measurable objectives set out below, including but not limited to gender, ethnicity, age and length of services. As at the date of this report, the Board’s composition under major diversified perspectives was summarised as follows:



INED: Independent non-executive Director

ED: Executive Director

# CORPORATE GOVERNANCE REPORT

## Implementation and monitoring

The nomination committee of the Board (the "Nomination Committee") has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year ended 31 December 2019. The Nomination Committee will review the Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy annually.

## BOARD MEETING, GENERAL MEETING AND PROCEDURES

The following is the Directors' attendance record of the board meetings held by the Board and the general meeting of the Company during the year ended 31 December 2019:

	Attended/eligible to attend	
	Board meeting	General meeting
Mr. Ruan Deqing	8/8	0/1
Mr. Peng Lichun	8/8	0/1
Mr. Ma Pun Fai	8/8	1/1
Ms. Tay Sheve Li	8/8	1/1
Ms. Yu Shun Yan Verda	8/8	1/1
Mr. Yau Kit Yu	8/8	0/1

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly.

Schedules for annual Board meeting and draft agenda of each Board meeting are sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are dispatched to all Directors at least three days or such other period as agreed before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Company Secretary is responsible to keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open to Director for inspection. The Company's articles of association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

# CORPORATE GOVERNANCE REPORT

## CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary.

For the year ended 31 December 2019, all Directors had participated in continuous professional development in compliance with code provision A.6.5 of the CG Code by attending training seminars/courses and/or reading materials regarding updates on the GEM Listing Rules and relevant regulatory requirements.

## BOARD COMMITTEES

As at 31 December 2019, the Board has established three board committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the Nomination Committee, with written terms of reference which are available for viewing on the website of the Stock Exchange and the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

## AUDIT COMMITTEE

The Company established the Audit Committee on 17 December 2010 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; to review the risk management and the internal control systems of the Company; and to perform the corporate governance functions under Paragraph D.3.1 of the CG Code.



## CORPORATE GOVERNANCE REPORT

As at 31 December 2019, the Audit Committee has three members comprising Ms. Tay Sheve Li (Chairperson), Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu. During the year ended 31 December 2019, the Audit Committee had held four meetings to review the final results of the Group for 2018, the 2018 annual report of the Company, the 2019 interim results and report of the Company and the quarterly results and report for the periods ended 31 March 2019 and 30 September 2019 and the Group's internal controls for the Year and corporate governance of the Group. The Group's final results for the year ended 31 December 2019 had been reviewed by the Audit Committee before submission to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

The attendance of each member of the Audit Committee is set out in the following table:

	<b>Number of attendance/ number of meeting</b>
Ms. Tay Sheve Li ( <i>Chairperson</i> )	4/4
Ms. Yu Shun Yan Verda	4/4
Mr. Yau Kit Yu	4/4

## REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 17 December 2010 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include mainly: (i) reviewing the terms of the remuneration package of each director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive directors for determining the amount of bonus (if any) payable to them. No director shall participate in any discussion about his or her own remuneration.

As at 31 December 2019, the Remuneration Committee has three members comprising Ms. Tay Sheve Li (Chairperson), Mr. Ruan Deqing and Ms. Yu Shun Yan Verda. The remuneration of the directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. During the year ended 31 December 2019, one meeting of the Remuneration Committee was held to review the remuneration packages of Directors and the senior management of the Company.

The attendance of each member of the Remuneration Committee is set out in the following table:

	<b>Number of attendance/ number of meeting</b>
Ms. Tay Sheve Li ( <i>Chairperson</i> )	1/1
Ms. Yu Shun Yan Verda	1/1
Mr. Ruan Deqing	1/1

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Company established the Nomination Committee on 17 December 2010 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on at least annually and to make recommendations on any proposed change to the Board to complement the Company's corporate strategy, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors and make recommendation to the Board on the Company's board diversity policy and nomination policy.

As at 31 December 2019, the Nomination Committee has three members comprising Ms. Yu Shun Yan Verda (Chairperson), Ms. Tay Sheve Li and Mr. Peng Lichun. During the year ended 31 December 2019, one meeting of the Nomination Committee was held to review the structure, size and composition (including the skills, knowledge and experience and diversity) of the Board, to review the Board Diversity Policy and nomination policy, make recommendation on the re-appointment of Directors and assess the independence of independent non-executive Directors.

The attendance of each member of the Nomination Committee is set out in the following table:

	<b>Number of attendance/ number of meeting</b>
Ms. Yu Shun Yan Verda ( <i>Chairperson</i> )	1/1
Ms. Tay Sheve Li	1/1
Mr. Peng Lichun	1/1

### Board Nomination Policy

The Company adopted a nomination policy in compliance with the CG Code with effect from 1 January 2019, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.



# CORPORATE GOVERNANCE REPORT

## Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The Nomination Committee utilises various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by shareholders of the Company are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

## Selection Criteria

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial year and to ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The statement by the auditor of the Company about their responsibilities for the financial statements is set out in the independent auditors' report contained in this annual report. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. For further details of the responsibilities of the Directors for the consolidated financial statements, please refer to the paragraph headed "Independent auditors' report – Responsibilities of directors and audit committee for the consolidated financial statements" in this annual report.

## INDEPENDENT AUDITORS' REMUNERATION

During the year ended 31 December 2019, the remuneration paid or payable to the auditor of the Company in respect of the statutory audit services was approximately RMB699,000. Non-audit services provided by the auditor of the Company during the year includes services rendered in connection with the assurance report on continuing connected transactions. The amount of fees for non-audit service was approximately RMB50,000.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's risk management and internal control systems. The Board must ensure that the Company establishes and maintains effective risk management and internal control systems to meet the objectives and safeguard the interests of the shareholders and the assets of the Company. The Board oversees the Group's overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavors to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified.
2. The management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented.
3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control systems.

The risk management framework, coupled with our internal controls, ensures the risk associated with our different business units are effectively controlled in line with the Group's risk appetite.

The Group has engaged an external consultant to conduct an annual review on the effectiveness of internal control system of the Group during the Year. The review covers certain procedures on the operation and distribution of the printed media, outdoor and digital advertising and prepaid card businesses and makes recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified. Accordingly, the Board considers that the risk management and internal control systems of the Group as effective.

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board has the overall responsibility to maintain the adequacies of resources, staff qualifications and experience training programs and budget of accounting and financial reporting function and the Board concluded that the Group's risk management and internal control systems were in place and effective.

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of inside information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through annual general meeting, publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at [www.china33media.com](http://www.china33media.com) and meetings with investors and analysts.

## SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholder's interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

### Procedures for shareholders to convene an extraordinary general meeting

Pursuant to article 64 of the articles of association of the Company, an extraordinary general meeting of the Company (the "EGM") may be convened by the Board on requisition of one or more shareholders (the "Requisitionist(s)") holding at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meeting (the "Requisition"). Such Requisition shall be made in writing to the Directors or the Company Secretary and sent to the Company's principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report). For the purpose of requiring an EGM to be called by the Directors, such Requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists. The EGM shall be held within two months after the deposition of such Requisition. If the Board fails to proceed to convene such EGM within 21 days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

### Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report).

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

# CORPORATE GOVERNANCE REPORT

## Procedures and contact details for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information to the Company's principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report).

The identity of such shareholder and his/her/its request will be verified with the Company's Hong Kong share registrar and upon confirmation by the Hong Kong share registrar that the request is proper and in order and made by a shareholder of the Company, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the shareholders of the Company for consideration of the Proposal raised by such shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

- (1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting;
- (2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting; and
- (3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval in an extraordinary general meeting other than by way of a special resolution of the Company.

## POLICY ON PAYMENT OF DIVIDENDS

The Company adopted a policy on payment of dividends (the "Dividend Policy") in compliance with E.1.5 of the CG Code with effect from 1 January 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

China 33 Media Group Limited (the “Company” or “China 33”) and its subsidiaries (collectively, the “Group”, “we”, “us” or “our”) are pleased to present its Environmental, Social and Governance (“ESG”) report for the year ended 31 December 2019.

Throughout our years of operation and development, we have adhered to our business philosophy of Corporate Social Responsibility (“CSR”). This report is prepared with reference to the Environmental, Social and Governance Reporting Guide under Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. The Group has strived to carry out its journalistic business ethically and professionally. To achieve sustainable development, the Group also promotes environmental protection, and makes positive contributions and creates long-term value in the community through a range of charitable organisations, with which it works in various ways. For the year ended 31 December 2019, the Group committed itself to a high standard of CSR and complied strictly with the requirements of laws and regulations on ESG reporting.

Unless otherwise specified, this report covers our progress and performance on ESG issues from 1 January to 31 December 2019 (the “Reporting Period”). It focuses on the core activities of the Group, which include printed media advertising, outdoor and digital advertising, film and entertainment investment and prepaid card business.

## STAKEHOLDER ENGAGEMENT

The Group values the concerns and interests of each stakeholder highly, works to enhance communication with and the engagement of stakeholders and deepen operational transparency, and seeks win-win development with stakeholders. The table below lists the Group’s stakeholders, and illustrates our communication and response measures.

Stakeholder Groups	Specific Stakeholders	Methods of Communication
Investors	<ul style="list-style-type: none"><li>Shareholders</li></ul>	<ul style="list-style-type: none"><li>Corporate website</li><li>Annual, Interim &amp; Quarterly financial reports</li><li>Annual general meetings</li></ul>
Employees	<ul style="list-style-type: none"><li>Senior Management</li><li>Staff</li><li>Potential recruits</li></ul>	<ul style="list-style-type: none"><li>Training, seminars</li><li>Face-to-face meetings</li><li>Independent focus groups and interviews</li><li>CSR and volunteering activities</li></ul>
Customers	<ul style="list-style-type: none"><li>Buyers</li><li>Ultimate user</li></ul>	<ul style="list-style-type: none"><li>Customer satisfaction survey</li><li>Client feedback survey</li><li>Designated customer hotline</li><li>Social media platform</li></ul>
Government	<ul style="list-style-type: none"><li>National and local governments</li><li>Regulators</li></ul>	<ul style="list-style-type: none"><li>Written correspondence</li></ul>
Community and the public	<ul style="list-style-type: none"><li>Local community association</li></ul>	<ul style="list-style-type: none"><li>Charity</li><li>Volunteer services</li></ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL ASPECTS

The Group does not operate in an environmentally sensitive business and it is predominantly service-oriented. However, the Group acknowledges that addressing environmental issues is a collective responsibility, shared by every member of the community. To enhance its operational efficiency and reduce the impact of its business on the environment, the Group embraces the “Reduce, Reuse & Recycle” philosophy and applies it at every stage of its operations, to minimise all types of waste, including general, production and electronic waste, regulated air emissions, and wastewater.

## EMISSIONS

### Greenhouse Gas Emissions

Although the Group did not produce significant emissions impact to the environment, we are dedicated to ensuring sustainable development and protecting the environment from potential impact from our daily business operations. The Group has taken a number of efficiency initiatives to inculcate the energy-saving and emission-reduction philosophy into all stages of its business development and operations.

During the Reporting Period, the Group complied with all relevant environmental laws and regulations significantly impacting the Group. The main source of emissions of the Group was daily office work in the general office environment, as well as from business travel by employees. No other harmful waste emissions into the environment occurred at the Group.

Greenhouse gases (“GHG”) emission data, including carbon dioxide (“CO<sub>2</sub>”), nitrogen oxides (“NO<sub>x</sub>”), sulphur oxides (“SO<sub>x</sub>”) and respiratory suspended particles, also known as Particulate Matter (“PM”), during the Reporting Period:

Aspects	CO <sub>2</sub>	NO <sub>x</sub>	SO <sub>x</sub>	PM
Scope 1 Direct GHG Emissions	16,723.5kg	0.5kg	0.1kg	0.04kg
Scope 2 Indirect GHG Emissions	26,172.5kg	NA	NA	NA
Scope 3 Other Indirect GHG Emissions	2,758kg	NA	NA	NA
Total	45,654kg	0.5kg	0.1kg	0.04kg

The total greenhouse gases generated by the Group during the Reporting Period was 45,654 kg CO<sub>2</sub>, comprising of our vehicle, electricity consumptions and disposal of paper waste, with an intensity of 1,141.4 kg CO<sub>2</sub> per full-time employee.

### Waste Management

The Group upholds the principles of waste management and is committed to the proper handling and disposal of all wastes from our business activities. Due to our business nature, the Group did not generate a significant amount of hazardous waste during the Reporting Period, while the major non-hazardous waste generated was paper waste, with a weight of approximate 10 kg, equivalent to approximate 0.25 kg per full-time employee.

The Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact concerning air and greenhouse gas emissions, discharges into water or land, or generation of hazardous and non-hazardous waste during the Reporting Period.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENERGY EFFICIENCY

Eco-friendly measures, such as reducing energy consumption, stepping up recycling, and disposing of waste carefully, have been incorporated into our daily operations to alleviate the impact of our business on the environment. Enhancing energy efficiency continues to be our biggest challenge, as office lighting and air-conditioning account for most of our electricity consumption. While the Group is focused on business development and establishment of a talented team, it also emphasises green development. By systematically managing environmental impact during operations and raising awareness of every employee of environmental protection and energy-saving, the Group continuously improves the efficiency of resource and energy use, and disposes of waste in a reasonable manner. This makes us a resource-saving and environment-friendly corporation.

Due to the nature of its business, the Group does not generate significant emissions. Therefore, we focus on recycling campaigning as our major contribution to a greener world. In office areas, collection boxes for used ink and toner cartridges have been placed for recycling. Also, we seek ways to make a difference anywhere we can: for example, used coffee capsules and pods are collected and recycled. With our development of film and entertainment investment and the prepaid card business, as well as development of digital advertising, the priority of the Group has been slowly shifting in recent years from traditional printed media business to those newly growing areas. We encourage double-sided printing and use of electronic documents to minimise paper printing. Our staff are encouraged to ensure duplex printing, reuse of single-sided printed paper and earmarking of double-sided printed paper for recycling, so as to reduce solid waste from offices. All this minimises use of paper. During the Reporting Period, the Group was not involved in any litigation or subject to any fine due to violation of environmental laws or regulations.

Due to the nature of the service industry, the business activities of the Group had no significant impact in terms of hazardous waste. General non-hazardous office waste generated was disposed of through waste separation and recycling facilities provided by the property management companies for the office buildings in which our business units are located.

## USE OF RESOURCES

The Group advocates environmental protection in its ordinary business operations. It has implemented a variety of environmental protection measures in its office premises. During the Reporting Period, the main resource use was from purchase of electricity, as detailed below. The electricity consumption was approximately 37,867kwh or 49.6% lower than last year. The water supply is provided by the property management company, and we have never exceeded the pre-set water usage limit. This showed preliminary success in our measures on reducing the uses of electricity and our operation costs.

Aspects	Unit	Consumption
Electricity consumption and its intensity (per full-time employee)	kWh	38,515
	kWh per employee	1,962.9



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We mitigate the negative impact of office operations on the environment by making optimal use of office resources, including paper, toner cartridges, electricity and water, as well as by resource classification and recycling. We have also installed an energy-saving lighting system, and policies are in place for switching off the lighting and air-conditioning after office hours and when the rooms are not in use. The packaging materials used in the prepaid card business are degradable environmental protection materials. During the Reporting Period, total packaging material consumption was 330.9kg with an intensity of 8.3kg per full-time employee.

## THE ENVIRONMENT AND NATURAL RESOURCES

Despite the fact that the Group's environmental impact is insignificant and the Group seldom uses natural resources directly, we still work to improve our waste management mechanism. The Forest Stewardship Council (FSC), a rigorous, credible forestry certification system, sets standards for responsible forest management. The FSC tracks the entire process affecting wooden products from the forest to the consumer, by developing standards for well-managed forestry and standards for the chain of custody for wood processing, so as to ensure legal and sustainable sourcing of the wood. Being FSC-certified, it is guaranteed that paper comes from a responsibly managed forestry process and supply chain. In order to reduce negative impact on forestry and to act responsibly regarding the environment, we use FSC-certified paper when publishing our annual report and encourage double-sided printing in various types of document. In the pursuit of sustainability and a greener environment, the Group will regularly review and improve its business operations together with its staff members and business stakeholders, with the objective of reducing environmental impact.

## SOCIAL ASPECTS

### Employment and Labour Practices

The work commitment of staff is a valuable asset for the Group. The Group is committed to providing a safe and healthy environment for all staff, and takes reasonable steps to safeguard their health and safety. The Group also encourages career development and training, and promotes a healthy lifestyle and work-life balance. In maintaining its edge in a highly competitive industry, it regards a professional team as its most valuable asset. The Group has complied with the Employment Ordinance, the Sex Discrimination Ordinance, the Disability Discrimination Ordinance, the Family Status Discrimination Ordinance and the Race Discrimination Ordinance. It has also adhered to the principles and strictly followed the regulations in respect of recruitment, promotion, dismissal, work hours, rest hours, equal opportunities, diversity of culture, and anti-discrimination.

The Group has formulated comprehensive human resource policies, and stated the same expressly in its Staff Manual/Staff Information materials for colleagues, laying down the rules affecting personnel. In addition to compliance with basic labour laws, the Group also formulates and implements human resource policies when necessary, and provides benefits better than those required by law. To ensure diversity and equality, our selection process is non-discriminatory and is based solely on employees' performance, experience and skills. Employees are also encouraged to discuss with senior management their goals for job advancement and career development in daily activities, and a performance appraisal is conducted annually.

Additionally, we are fully committed to complying with any laws and regulations relevant to the Ordinances mentioned above, and do not engage any forced or child labour.

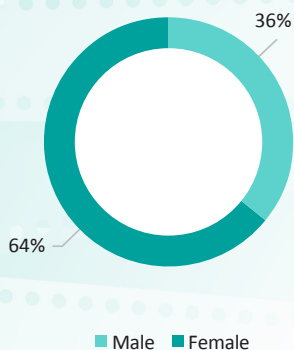
For the year ended 31 December 2019, the Group has not noted any cases of non-compliance in relation to employment and labour laws and regulations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

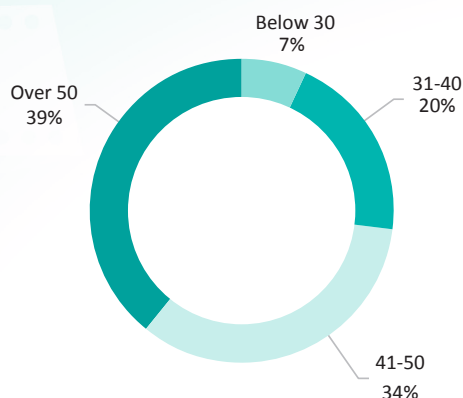
## Staff Composition

As at the end of Reporting Period, the Group had an aggregate of 51 (2018: 40) employees in which 40 are full-time employee. The following is a snapshot of the total workforce by employee structure, gender, age group, geographical region and position.

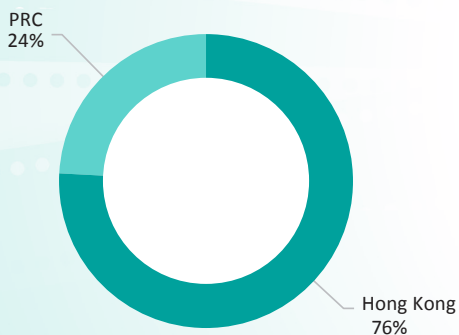
### Number of employee by Gender



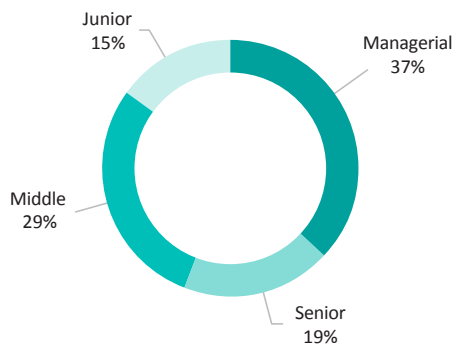
### Number of employee by Age



### Number of employee by District



### Number of employee by Employee Category



## Employee Welfare

The Group strictly follows labour laws and regulations, and provides comprehensive leave packages to employees, covering sickness, casual, marriage, funeral, maternity, annual, and injury leave, as well as statutory holidays. The welfare provisions aim to take care of all employees, broaden the range of corporate cultural activities, and increase the sense of belonging of the employees.

We respect our employees' family roles and responsibilities, and are committed to supporting them and maintaining a family-friendly work environment. The Group's employees have a five-day work week, so they can spend more time with their families. As breastfeeding has been shown to be the superior form of infant nutrition, providing a multitude of health benefits to both infants and mothers, and because breastfeeding employees need ongoing support in the workplace to be able to provide their milk for their babies, we provide breastfeeding rooms in our workplace to foster a mother-friendly culture. To further our employee welfare support, male employees are entitled to 5 days of paternity leave, allowing them more time to take care of their families and showing how much we esteem our employees. Medical insurance is provided to manager grade or above employees' spouse and kids for those who work in the Hong Kong office. We also recently offered birthday leave on top of the statutory requirements under Employment Ordinance to give our Hong Kong office employees extra personal time to celebrate their birthdays.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Occupational Health and Safety

To safeguard employees' occupational health and safety, the Group works hard to provide a safe, healthy and comfortable working environment. It has complied with the Employee's Compensation Ordinance of Hong Kong, the Labour Law of the PRC and other applicable regulations. Employees are asked to stringently abide by all safety rules and regulations, and take available and applicable protection measures at all times to avoid accidents and protect themselves and co-workers from safety risks, in accordance with the relevant laws and regulations.

The Group complies with the health and safety regulations of the Occupational Safety and Health Ordinance and formulates requirements for environmental control and hygiene at the workplace. In order to reduce the chance of employees suffering from respiratory infections, we issue influenza notifications when necessary, to encourage preventive measures, such as preparation of hygiene masks and disinfectant hand sanitizers for staff to use at any time.

The Group did not identify any casualties and accidents, nor did the Group identify any violations of laws and regulations in relation to workplace health and safety in the past three years.

## Nurturing Talent

The Group views employee growth and development as being of vital importance for enterprise's long-term development. It attaches great importance to retention, education and development of a rich variety of high-end talent, and provides such talent with broad development platforms and ample training.

The Group aims to create an environment of continuous improvement in which our employees are encouraged to pursue excellence at work and career development. Customised training programmes, in areas such as internal control training and anti-money laundering, are arranged on an ongoing basis for staff members at different levels and across the organisation throughout the Group.

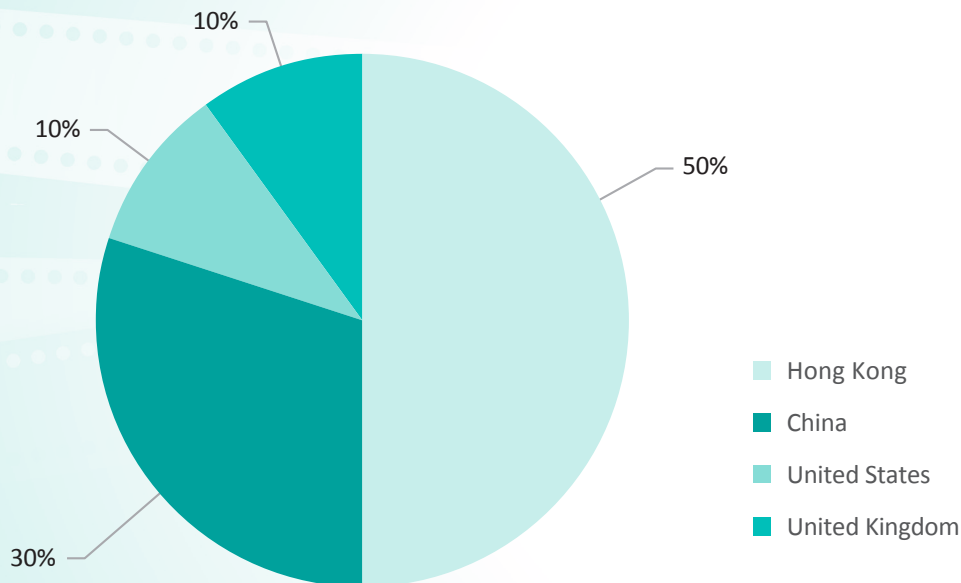
During the Reporting Period, the percentage of Hong Kong staffs participating in training was, by gender, 36% (males) and 90% (females), with average training duration of approximately 35 hours and 3 hours respectively. The percentage of employees participating in training activities for managerial, senior staff, middle staff and junior staff was approximately 33%, 83%, 100% and 100% respectively. The Group recognizes the importance of employee self-development, and ensures equality of opportunity in training for different levels of staff. The average duration of training activities for each of these employee by categories was 34 hours, 8 hours, 2 hours and 2 hours respectively. The Group would organise an anti-corruption training for both directors and employees to participate in the coming year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Supply Chain Management

We consider our suppliers as strategic partners and contributors to our businesses, and we are committed to building long-term relationships with suppliers who share our values. The Group has a procurement policy which sets out criteria for evaluation of our suppliers. The factors taken into account for selection include: what kind of environmental protection facilities the potential supplier has set up, whether its environmental protection performance has credentials from any well-recognised and legitimate organisation, whether the potential supplier has participated in any cultural preservation, charitable or community care activities. During the Reporting Period, suppliers from China have dominated our resource supply chain, since our advertising business and film and entertainment investment target the Chinese market. This enhances our logistics efficiency and reduces our environmental footprint. During the Reporting Period, the Group had an aggregate of 10 suppliers.

### Suppliers by geographical region



## Product Responsibilities

The Group is committed to offering quality products and services to its customers. By formulating and implementing product quality standards, it is able to ensure the work of every employee in the production process meets requirements in respect of procedures, regulations and systems, and the products under research and development meet preliminary planning requirements, thus ensuring the final quality of the products. The Group is committed to continuing to strengthening its information security systems to protect data privacy of customer service users, in accordance with the relevant laws and regulations of the places where the Group's operations are carried out.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As our prepaid card business continues to grow, the Group has accumulated a large amount of user data. The Group prioritises the protection of customer information and personal privacy, and has in place a complete set of mechanisms and systems for the management of information security in compliance with relevant laws and regulations. Security issues are factored into electronic systems at an early stage of development, and they are equipped with strong firewalls to prevent hacking and divulgence of information. More specifically, the Group has established a Privacy Policy as a commitment to protection of personal privacy in compliance with the Personal Data (Privacy) Ordinance and the Payment Card Industry Data Security Standard (PCI DSS) Requirements and Security Assessment Procedures. The Group offers clients maintenance services via a customer service hotline. These services offer continuous technical support and solutions to customers and theatres nationwide.

Also, the Group has set up a Business Continuity Plan (BCP) covering short or long-term disaster scenarios that the Group may have to cope with, including the complete destruction of building in which the primary office is located and the possible need to use back-up facilities for an extended period. We fully understand the importance of a stable and secure internet network to our customers and our products, so an Information Technology (IT) Disaster Recovery Plan is in place and can be put into operation by the IT Unit and outside vendors to restore data center services at a backup site within 24 hours. Meanwhile, the BCP is separate from the Group's IT Disaster Recovery Plan, which focuses on technology facilities and platforms, such as critical applications, databases, servers or other required technology infrastructure.

For the year ended 31 December 2019, the Group has not noted any cases of non-compliance in relation to data privacy laws and regulations, such as the Personal Data (Privacy) Ordinance.

### Anti-corruption

The Group is committed to eliminating all fraud and corruption activities and resolutely adheres to its principles of education, supervision, precautions and controls. Internally, the Group has set up an Anti-Money Laundering Committee, which is comprised of the Chief Executive Officer, Chief Operating Officer, Chief Compliance Officer. The Committee is responsible for developing, enhancing and maintaining the Group's compliance culture, with regular training, policies and procedures to raise compliance awareness among staff. Under the Group's policy, all new staff members are strictly required to undergo adequate Anti-Money Laundering training in their staff orientation. This covers standards of business conduct, strengthening of anti-corruption awareness of staff, establishment of an anti-corruption structure and full performance of supervisory responsibilities. Once identified, all corruption activities are handled rigorously, with penalties ranging from warnings and reduction of compensation to termination of employment for the employees concerned, depending on the severity of offences. In particular, the Group upholds its anti-corruption commitment in its commercial operations, maintains good discipline when working with business partners, and follows standardized commercial procedures, as it works to eradicate all corrupt practices. We have devised whistle-blowing procedures, setting up a separate channel for directly reporting suspicious fraudulent actions to the Group's management.

During the Reporting Period, the Group has not noted any cases of non-compliance brought against the Group or the employees in relation to corruption-related laws and regulations, such as the Prevention of Bribery Ordinance in Hong Kong.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Community Involvement

We are committed to supporting the community by incorporating social participation and contribution into our strategic development. We believe this will nurture excellence in Group corporate culture and practices.

The Group acknowledges a sustainable business is dependent on the stability and well-being of the community where it operates and regards improving the community well-being as an important way to realise its value. The Group does not have policies on community engagement during the Reporting Period. Nevertheless, we firmly adhere to the principle that our staff can contribute to the community by participating in voluntary services while developing personal capabilities in areas such as leadership, management and communication skills. The Group would organise and mobilize employees to participate in community investment activities in the coming year.

## CONTENT INDEX OF ESG GUIDE

General Disclosure and KPIs	Description	Section	Page(s)
	<b>A. Environmental</b> <b>Aspect A1: Emissions</b>		
<b>General Disclosure</b>	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Aspects	27
<b>KPI A1.1</b>	The types of emissions and respective emissions data	Emissions	27
<b>KPI A1.2</b>	Greenhouse gas emissions in total and intensity	Emissions	27
<b>KPI A1.3</b>	Total hazardous waste produced and intensity	The Group generate no significant hazardous waste during the reporting period	N/A
<b>KPI A1.4</b>	Total non-hazardous waste produced and intensity	Waste Management	27
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved	Energy Efficiency	28
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives, and results achieved	Energy Efficiency	28

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General Disclosure and KPIs	Description	Section	Page(s)
<b><i>Aspect A2: Use of Resources</i></b>			
<b>General Disclosure</b>	Policies on the efficient use of resources, including energy, water and other raw materials	Use of Resources	28
<b>KPI A2.1</b>	Direct and/or indirect energy consumption by type in total and intensity	Use of Resources	28
<b>KPI A2.2</b>	Water consumption in total and intensity	The Group currently does not report on this indicator	N/A
<b>KPI A2.3</b>	Description of energy use efficiency initiatives and results achieved	Use of Resources	28
<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of Resources	28
<b>KPI A2.5</b>	Total packaging material used for finished products	Use of Resources	28
<b><i>Aspect A3: The Environment and Natural Resources</i></b>			
<b>General Disclosure</b>	Policies on minimising the issuer's significant impact on the environment and natural resources	The Environment and Natural Resources	29
<b>KPI A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	The Environment and Natural Resources	29
<b>B. Social</b>			
<b>Employment and Labour Practices</b>			
<b><i>Aspect B1: Employment</i></b>			
<b>General Disclosure</b>	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare	Employment and Labour Practices	29
<b>KPI B1.1</b>	Total workforce by gender, employment type, age group and geographical region	Staff Composition	30
<b>KPI B1.2</b>	Employee turnover rate by gender, age group and geographical region	The Group currently does not report on this indicator	N/A



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General Disclosure and KPIs	Description	Section	Page(s)
<b><i>Aspect B2: Health and Safety</i></b>			
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Occupational Health and Safety	31
KPI B2.1	Number and rate of work-related fatalities	Occupational Health and Safety	31
KPI B2.2	Lost days due to work injury	Occupational Health and Safety	31
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Occupational Health and Safety	31
<b><i>Aspect B3: Development and Training</i></b>			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Nurturing Talent	31
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Nurturing Talent	31
KPI B3.2	The average training hours completed per employee by gender and employee category	Nurturing Talent	31
<b><i>Aspect B4: Labour Standards</i></b>			
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employee Welfare	30
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employee Welfare	30
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Employee Welfare	30
	Operating Practices		

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General Disclosure and KPIs	Description	Section	Page(s)
<b><i>Aspect B5: Supply Chain Management</i></b>			
<b>General Disclosure</b>	Policies on managing environmental and social risks of the supply chain	Supply Chain Management	32
<b>KPI B5.1</b>	Number of suppliers by geographical region	Supply Chain Management	32
<b>KPI B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management	32
<b><i>Aspect B6: Product Responsibility</i></b>			
<b>General Disclosure</b>	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Product Responsibility	32
<b>KPI B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons	The Group currently does not report on this indicator	N/A
<b>KPI B6.2</b>	Number of products and service related complaints received and how they are dealt with	Product Responsibility	32
<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility	32
<b>KPI B6.4</b>	Description of quality assurance process and recall procedures	Product Responsibility	32
<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility	32

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General Disclosure and KPIs	Description	Section	Page(s)
<b><i>Aspect B7: Anti-corruption</i></b>			
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Anti-corruption	33
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Anti-corruption	33
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption	33
<b><i>Aspect B8: Community Investment</i></b>			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Involvement	34
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Community Involvement	34
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Community Involvement	34

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. Ruan Deqing (阮德清)**, aged 55, is the Chairman and an executive Director and is responsible for the operating and financial matters of the Group. He also acts as the compliance officer of the Group. Mr. Ruan was appointed as a Director on 5 May 2010. Mr. Ruan graduated from the Zhengzhou Institute of Railway Mechanics (鄭州鐵路機械學校) in 1986 and obtained an Adult Education Diploma in Advertising from the Xiamen University (廈門大學) in July 2000. Mr. Ruan has more than twenty years of experience in the advertising industry. Prior to co-founding the Group with Mr. Lin Pintong, Mr. Ruan worked as a technician of the locomotive depot in Fuzhou of Nanchang Railway Bureau (南昌鐵路局福州機務處) during the period from 1986 to 1997. During the period from 1997 to 1999, Mr. Ruan worked at Fujian Huashui Advertising and Decorating Company Limited (福建華稅廣告裝潢有限公司). Mr. Ruan was the general manager of Fujian Annual Ring Advertisement Co., Ltd. (福州年輪廣告有限公司) during the period from 1999 to 2002. From August 2002 to April 2010, Mr. Ruan was the general manager of Fujian Ao Shen Media Advertising Co., Ltd. (福建省奧神傳媒廣告有限責任公司). In the three years preceding the date of this annual report, Mr. Ruan did not hold any directorship in other listed public companies in Hong Kong or overseas. Mr. Ruan is currently a director of Lizhong Limited and Joint Loyal Limited, which have an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares of the Company" in this annual report.

**Mr. Peng Lichun (彭立春)**, aged 38, is an executive Director appointed on 5 March 2015. Mr. Peng has over 14 years of working experience in financial industry and has solid experience in corporate fund raising and management in Hong Kong and the People's Republic of China (the "PRC"). Mr. Peng obtained a professional certificate of economic management and computer management from Xiangtan University (湘潭大學), PRC in 2002. He is currently a director in a wealth management company in Shenzhen which focusing securities investment and wealth management in the PRC. In the three years preceding the date of this annual report, Mr. Peng did not hold any directorship in other listed public companies in Hong Kong or overseas.

**Mr. Ma Pun Fai (馬彬輝)**, aged 51, is an executive Director appointed on 25 August 2015. Mr. Ma has over 20 years' experience in administration and management. He is currently a managing director in a local electronics company. Mr. Ma had been working in the entertainment and advertising industry for around ten years, and was responsible for administrative and managerial work in several domestic and foreign enterprises. In the three years preceding the date of this annual report, Mr. Ma did not hold any directorship in other listed public companies in Hong Kong or overseas.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Independent non-executive Directors

**Ms. Tay Sheve Li (鄭雪莉)**, aged 47, is an independent non-executive Director appointed on 30 September 2013. Ms. Tay is the independent non executive Director who has the qualifications and experience to meet the requirements under Rule 5.05(2) of the GEM Listing Rules. Ms. Tay graduated from the University of Strathclyde, United Kingdom, in July 1994 with a bachelor's degree in arts majoring in accounting and finance and received her master's degree in applied finance from University of Western Sydney in September 2004. Since 2002, Ms. Tay has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. Ms. Tay has over 15 years of experience in accounting and auditing experience. From November 1997 to September 2007, she worked at Ernst & Young as a senior manager in audit assurance. From October 2007 to September 2010, Ms. Tay worked at Ernst & Young as a senior manager in the finance department. From October 2010 to June 2011, Ms. Tay was the president of finance and capital management department in Centron Telecom International Holding Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1155). Ms. Tay was an independent non-executive director of SSLJ.com Limited, a company previously listed on Nasdaq (stock code: YGTY, formerly known as SSLJ), and delisted in July 2019, her employment was from October 2018 to January 2019 and from March to July 2019. Ms. Tay was an independent non-executive director of China Internet Nationwide Financial Services Inc., a company listed on Nasdaq (stock code: CIFS), from 22 February 2017 to 17 April 2020. Save as disclosed herein, in the three years preceding the date of this annual report, Ms. Tay did not hold any directorship in other listed public companies in Hong Kong or overseas.

**Ms. Yu Shun Yan Verda (余舜茵)**, aged 38, is an independent non-executive Director appointed on 5 March 2015. Ms. Yu graduated from The Hong Kong Institute of Education with a bachelor's degree in Education in 2004. She has over 10 years of experience in business promotion, corporate communication and relationship management in different business sectors including public relation company and financial institutes. In the three years preceding the date of this annual report, Ms. Yu did not hold any directorship in other listed public companies in Hong Kong or overseas.

**Mr. Yau Kit Yu (邱潔如)**, aged 66, is an independent non-executive Director appointed on 24 November 2015. Mr. Yau has over 30 years of experience in the trading and marketing industries. He started his career in sales activities in 1978, and has since 2000 served in various companies selling agricultural products as marketing directors, mainly responsible for the overall management of sales and marketing. In the three years preceding the date of this annual report, Mr. Yau did not hold any directorship in other listed public companies in Hong Kong or overseas.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT AND COMPANY SECRETARY

**Mr. Lau Kwok Ki (劉國基)**, aged 60, is appointed as the Chief Executive Officer of 33 Financial Services Limited and is responsible for developing and managing payment product business. Mr. Lau holds a Diploma in Management Studies at Hong Kong Polytechnic University in 1989 and Professional Diploma in Quality Project and Service Management at ABRS Centre for Professional Development in 2009. Mr. Lau is a full member of the Hong Kong Computer Society. With over 30 years Information Technology, Cards and Bank Operations experiences including 25 years in managerial role, Mr. Lau was the Director of Technologies, Director of Management Services and Director of Interactive and Business Systems, Asia Pacific of American Express International Incorporation as well as American Express Bank Limited. Mr. Lau has extensive depth of experience in regional project management; business systems development; data center management; bank and cards operations. Mr. Lau later joined China Yinsheng Finance (Holding) Limited as Vice President-Operations to lead the Operations team to overall manage the launch and on-going support of the China UnionPay Prepaid Cards. Mr. Lau also helped China Yinsheng Finance to successfully apply for the MasterCard Credit and Prepaid Card licenses.

**Mr. Yeung Man Sun (楊万鋹)**, aged 40, has been appointed as the company secretary of the Company with effect from 18 January 2019. He graduated from City University of Hong Kong with a bachelor degree in Business Administration (Honours) in Accountancy and received his master's degree in Corporate Governance from Hong Kong Polytechnic University. Mr. Yeung is a member of the Hong Kong Institute of Certified Public Accountants, associate member of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. He has over 13 years of experience in accounting, auditing and finance industry. During the year end 31 December 2019, Mr. Yeung has taken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

## REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2019.

### PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's principal subsidiaries are set out in note 37 to the consolidated financial statements.

### BUSINESS REVIEW

Please refer to the section headed "Management discussion and analysis" of this annual report for a business review of the Group for the year ended 31 December 2019.

### RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2019 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 62 to 143 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

### FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 144 of this annual report. This summary does not form part of the audited financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

### SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 25 to the consolidated financial statements.

### PRE-EMPTIVE RIGHTS

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

# REPORT OF THE DIRECTORS

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

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

## RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in pages 64 and 142 respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB292,666,000 (2018: RMB457,621,000).

## CHARITABLE DONATIONS

During the Year, the Group did not have external donation (2018: HKD100,000).

## MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 57.7% (2018: 64.6%) of the total sales for the Year and sales to the largest customer included therein amounted to approximately 19.1% (2018: 34.6%) of the total sales for the Year. Services supplied from the Group's five largest suppliers accounted for approximately 62.8% (2018: 52.0%) of the total cost of sales for the year and service supplied from the Group's largest supplier included therein amounted to approximately 22.5% (2018: 20.5%) of the total cost of sales for the year. None of the Directors or any of their close associates (as defined in the GEM Listing Rules) or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers during the year ended 31 December 2019.

## SHARE OPTION SCHEME

Particulars of the share option scheme adopted by the Group are set out in note 26 to the consolidated financial statements.

## DIRECTORS

The Directors during the year and up to the date of this report were:

### Executive Directors

Mr. Ruan Deqing (*Chairman*)

Mr. Peng Lichun

Mr. Ma Pun Fai

# REPORT OF THE DIRECTORS

## Independent non-executive Directors

Ms. Tay Sheve Li  
Ms. Yu Shun Yan Verda  
Mr. Yau Kit Yu

Pursuant to article 105(A) of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

By virtue of article 105(A) of the articles of association of the Company, Mr. Ruan Deqing and Ms. Tay Sheve Li will retire at the forthcoming annual general meeting, Mr. Ruan Deqing and Ms. Tay Sheve Li, being eligible, will offer themselves for re-election at the annual general meeting.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 39 to 41 of this annual report.

## DIRECTORS' SERVICE AGREEMENTS

Mr. Ruan Deqing, being the executive Director, has entered into a service contract and supplement service contract with the Company for an initial term of three years with effect from 17 December 2010 and 11 November 2013, respectively. The service contract shall be automatically renewed and extended for successive terms of one year unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice at the end of the initial term or at any time thereafter. He is subject to retirement by rotation, re-election and removal in accordance with the articles of association of the Company. Mr. Peng Lichun and Mr. Ma Pun Fai, being executive Directors, have no fixed term of service with the Company and they will hold office until they retire by rotation and will be eligible for re-election at the annual general meeting in accordance with the articles of association of the Company.

Ms. Tay Sheve Li, being an independent non-executive Director, has entered into an appointment letter with the Company for a term of one year commencing from 30 September 2013, which shall be automatically renewed and extended for successive terms of one year and may be terminated after the initial term by either party by giving at least three months' written notice. She is subject to retirement by rotation, re-election and removal in accordance with the articles of association of the Company. Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu, being independent non-executive Directors, have no fixed term of service with the Company and they will hold office until they retire by rotation and will be eligible for re-election at the annual general meeting in accordance with the articles of association of the Company.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

# REPORT OF THE DIRECTORS

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

## MANAGEMENT CONTRACTS

No contract, other than a contract of service with any Director or any person under the full time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 December 2019.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Directors had material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group subsisting during or at the end of the year ended 31 December 2019 to which the Company or any of its subsidiaries was a party.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2019, the Directors were not aware of any business or interest of each of the Directors, controlling shareholders and their respective associates (as defined in the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## NON-COMPETE UNDERTAKING

On 17 December 2010, Mr. Lin Pintong, Mr. Ruan Deqing, Lizhong Limited, Broad Win Limited and Joint Loyal Limited (collectively, the "Controlling Shareholders"), have given an irrevocable non-compete undertaking (the "Non-compete Undertaking") in favour of the Group pursuant to which each of them irrevocably, unconditionally, jointly and severally undertaken, among other matters, not to, directly or indirectly, carry on, invest in or be engaged in any business which would or might compete with the business of the Group. Details of the Non-compete Undertaking have been set out in the section headed "Relationship with our Controlling Shareholders" of the prospectus of the Company dated 22 February 2011.

The Non-compete Undertaking has become effective from the listing date of the Company.

The Company has received the confirmation from the Controlling Shareholders in respect of their compliance with the terms of the Non-compete Undertaking during the year ended 31 December 2019.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Non-compete Undertaking and the Non-compete Undertaking has been enforced by the Company in accordance with its terms during the year ended 31 December 2019.



# REPORT OF THE DIRECTORS

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2019. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers arising out of corporate activities of the Group.

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

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken 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 Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in the ordinary Shares (the "Shares") of the Company

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares held (Note 2)	Total	Approximate percentage of shareholding (%)
Mr. Ruan Deqing	Interest of a controlled corporation/ Beneficial owner	576,020,000 (Note 1)	57,600,000	633,620,000	11.00
Mr. Ma Pun Fai	Beneficial owner	–	57,600,000	57,600,000	1.00

Notes:

- (1) These Shares were registered in the name of Lizhong Limited ("Lizhong"), 48.73% of the entire issued share capital of which was owned by Joint Loyal Limited ("Joint Loyal"). The entire issued share capital of Joint Loyal was owned by Mr. Ruan Deqing ("Mr. Ruan"), an executive director. Mr. Ruan was deemed to be interested in all the Shares in which Joint Loyal was interested by virtue of the SFO. Mr. Ruan was the sole director of Joint Loyal.
- (2) Mr. Ruan and Mr. Ma Pun Fai, the executive Directors, were granted share options under the share option scheme of the Company on 5 July 2019 at an exercise price of HK\$0.029 per Share with the validity period from 5 July 2019 to 4 July 2021.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken 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 Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

#### Long positions in Shares and underlying Shares

Name of shareholder	Nature of interest	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of shareholding (%)
Mr. Lin Pintong <i>(Note 1)</i>	Interest of a controlled corporation	576,020,000	–	576,020,000	10.00
Lizhong <i>(Note 1)</i>	Beneficial owner	576,020,000	–	576,020,000	10.00
Broad Win <i>(Note 1)</i>	Interest of a controlled corporation	576,020,000	–	576,020,000	10.00
Ms. Pan Xiaoying <i>(Note 2)</i>	Interest of spouse	576,020,000	–	576,020,000	10.00
Joint Loyal <i>(Note 1)</i>	Interest of a controlled corporation	576,020,000	–	576,020,000	10.00
Ms. Liu Sibin <i>(Note 3)</i>	Interest of spouse	576,020,000	57,600,000	633,620,000	11.00
New Express Investment Limited <i>(Note 4)</i>	Beneficial owner	398,622,000	–	398,622,000	6.92
China Investment and Finance Group Limited <i>(Note 4)</i>	Interest of a controlled corporation	398,622,000	–	398,622,000	6.92

Notes:

- (1) Based on the total number of issued Shares as at 31 December 2019.
- (2) These Shares were registered in the name of and beneficially owned by Lizhong, 48.73% and 48.73% of the entire issued share capital of Lizhong was owned by Broad Win Limited ("Broad Win") and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal was owned by Mr. Lin Pintong ("Mr. Lin") and Mr. Ruan respectively. Under the SFO, each of Mr. Lin, Mr. Ruan, Broad Win and Joint Loyal was deemed to be interested in all the Shares held by Lizhong. The directors of Lizhong are Mr. Lin, Mr. Ruan and Mr. Han Wenqian.
- (3) Ms. Pan Xiaoying ("Ms. Pan") was the spouse of Mr. Lin. Therefore, Ms. Pan was deemed, or taken to be, interested in the Shares which Mr. Lin was deemed, or taken to be, interested in for the purposes of the SFO.
- (4) Ms. Liu Sibin ("Ms. Liu") was the spouse of Mr. Ruan. Therefore, Ms. Liu was deemed, or taken to be, interested in the Shares which Mr. Ruan is deemed, or taken to be, interested in for the purposes of the SFO.
- (5) These Shares were registered in the name of and beneficially owned by New Express Investment Limited ("New Express Investment"). The entire issued share capital of New Express Investment was owned by China Investment and Finance Group Limited ("China Investment"). China Investment was deemed to be interested in all the Shares in which New Express Investment was interested by virtue of the SFO.

## REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 14 to 25 of this annual report.

### EMOLUMENT POLICY

The Remuneration Committee is responsible for making recommendations to the Board on Company's policy and structure for all Directors and senior management remuneration, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme as an incentive to directors and eligible participants, details of the scheme is set out in note 26 to the consolidated financial statements.

The remuneration of the senior management of the Group by band for the year ended 31 December 2019 is set out below:

<b>Remuneration bands</b>	<b>Number of senior management</b>
Nil to RMB500,000	1
RMB1,000,001 to RMB1,500,000	1

Further details of the Directors' remuneration and the five highest paid employees are set out in note 11 to the financial statements respectively.

### RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2019 are set out in note 36 to the consolidated financial statements. Those related party transactions constitute continuing connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS

During the year under review, certain transactions entered into by the Group with the Connected Persons (as defined below) constituted non-exempt continuing connected transactions of the Company under the GEM Listing Rules.

Mr. Lin Pintong (“Mr. Lin”) and Mr. Ruan Deqing (“Mr. Ruan”) were controlling shareholders of the Company, while Mr. Ruan is also a Director of the Company. Fujian Ao Shen Media Advertising Co. Ltd and Beijing Datusu Media Advertising Co., Ltd, (collectively the “Contracting Entities”, each a “Contracting Entity”) were owned as to 50% and 50% by Mr. Lin and Mr. Ruan and are associates of Mr. Lin and Mr. Ruan. By virtue of the GEM Listing Rules, Mr. Lin, Mr. Ruan and the Contracting Entities (collectively, the “Connected Persons”) were regarded as connected persons of the Company.

For reason as disclosed in the section headed “Connected transactions” in the prospectus of the Company dated 22 February 2011, a series of contracts (the “Structure Agreements”) were entered into by, among others, Aoshen Technology Service (Fuzhou) Co., Ltd. (“Aoshen Technology”), Hongkong Ao Shen Investment Co., Limited (“Aoshen Hong Kong”), Mr. Lin, Mr. Ruan and the Contracting Entities on 17 December 2010 which include:

- (1) framework agreements (the “Framework Agreements”) dated 17 December 2010 entered into between (i) Aoshen Technology; (ii) the Contracting Entities; and (iii) Mr. Lin and Mr. Ruan, whereby the Contracting Entities have undertaken, among others, not to enter into any material business transaction without the prior written consent of Aoshen Technology. The Contracting Entities shall appoint individuals as nominated by Aoshen Technology to be their directors and key management as and when Aoshen Technology sees fit. Furthermore, Aoshen Technology or its nominees is entitled to exercise their rights as if they were the shareholder of the Contracting Entities. Any dividend, distributable reserve and/or other assets (including residual assets upon dissolution of the Contracting Entities) derived from the equity interests in the Contracting Entities shall also be paid to Aoshen Technology or to such other entities or otherwise deal with in such other manner as Aoshen Technology may direct. Each of the Framework Agreements has become effective when it was executed on 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Aoshen Technology by the giving of a 30-day advance notice in writing; or pursuant to the terms under other agreements entered into by the relevant parties; and it will be automatically terminated upon dissolution of the relevant Contracting Entity;



## REPORT OF THE DIRECTORS

- (2) exclusivity agreements (the “Exclusivity Agreements”) dated 17 December 2010 entered into between Aoshen Technology and the Contracting Entities whereby the Contracting Entities have engaged Aoshen Technology on an exclusive basis to provide consultation services in the management of assets, operation and liabilities, sales and marketing and other supporting services. In consideration of the provision of the aforementioned services by Aoshen Technology, the Contracting Entities have agreed to pay to Aoshen Technology (or such other entities as Aoshen Technology may direct) fees on an annual basis in arrears. Fees payable to Aoshen Technology by the Contracting Entities will be equivalent to the total revenue less all the related costs, expenses and taxes of the respective Contracting Entities, as audited by certified public accountants of the PRC. Each of the Exclusivity Agreements has become effective when it was executed on 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Aoshen Technology by the giving of a 30-day advance notice in writing; and it will be automatically terminated upon dissolution of the relevant Contracting Entity;
- (3) equity pledge agreements dated 17 December 2010 entered into between Aoshen Technology, Mr. Lin and Mr. Ruan, whereby Mr. Lin and Mr. Ruan have pledged their entire interests in each of the Contracting Entities to secure the payment of consultations services fees to Aoshen Technology under the Exclusivity Agreements. Aoshen Technology is entitled to exercise its rights to sell the pledged equity interests on occurrence of any non-payment of such fees. None of the equity interests in the Contracting Entities can be pledged or transferred unless otherwise with prior consent from Aoshen Technology. Furthermore, Aoshen Technology is entitled to all dividends derived from the pledged equity interests in the Contracting Entities. Each of the equity pledge agreements has become effective when it was executed on 17 December 2010 until all payments in each of the Exclusivity Agreements are settled by the relevant Contracting Entity, as well as upon which the relevant Contracting Entity is no longer responsible for the performance under the Exclusivity Agreements; and they will be automatically terminated upon dissolution of the relevant Contracting Entity;
- (4) option agreements dated 17 December 2010 entered into between Aoshen Hong Kong, each of Mr. Lin and Mr. Ruan and each of the Contracting Entities whereby Aoshen Hong Kong has been granted options to acquire the entire equity interest in the Contracting Entities at nil consideration or the minimum amount as permitted by the applicable PRC laws. Subject to compliance with the PRC laws, such options may be exercised at any time and in any manner at the sole discretion of Aoshen Hong Kong. Prior to the exercise of such options, the respective registered capital or assets, business or revenues of the Contracting Entities shall not be reduced or disposed of unless with the prior consent from Aoshen Hong Kong or Aoshen Technology. Subject to the compliance with applicable laws and the constitutional documents of each of the Contracting Entities, any dividends, distributable reserve and/or other assets (including residual assets upon dissolution of the Contracting Entities) shall also be assigned or transferred to Aoshen Hong Kong, its subsidiaries in the PRC or to such other entities or otherwise deal with in such other manner as Aoshen Hong Kong may direct as soon as practicable but in any event no later than three days upon such receipt. Each of the option agreements has become effective when it was executed on 17 December 2010 and will only expire on the date on which all the equity interests in the Contracting Entities are transferred to Aoshen Hong Kong and/or its nominees, and the registrations of such equity transfers in the relevant Administration of Industry and Commerce in the PRC are completed; and it will be automatically terminated upon dissolution of the relevant Contracting Entity; and



## REPORT OF THE DIRECTORS

- (5) power of attorney dated 17 December 2010 entered into between Aoshen Technology, Mr. Lin and Mr. Ruan in respect of each of the Contracting Entities whereby the Group is authorised to exercise its rights in the Contracting Entities as if it were the ultimate beneficial owner of the Contracting Entities. Each of the power of attorney has become effective when it was executed on 17 December 2010 and will remain effective during the term of the Framework Agreements.

The purpose of the Structure Agreements is to provide the Group with effective control over the financial and operational policies of the Contracting Entities, Fuzhou Haidu Commercial Travel Media Co., Ltd and Beijing Zhong Shi Da Ye Advertising Media Co., Ltd and Beijing FanPei Culture Media Co. Ltd. (collectively the "Operating Entities"), to obtain the economic benefits from the Operating Entities and acquire the equity interests in the Contracting Entities as and when permitted under the applicable PRC laws and to allow the Company to consolidate the assets, liabilities, equity, income and expenses of the Operating Entities into the Group's consolidated financial statements as if they were the Group's subsidiaries, and the economic benefit of their business flows to the Group.

### BUSINESS ACTIVITIES OF THE CONTRACTING ENTITIES AND THEIR SIGNIFICANCE TO THE GROUP

The Contracting Entities, namely Fujian Ao Shen and Beijing Datisu, were the two operating companies established in the PRC for the purpose of implementing the Contractual Arrangements and were owned as to 50% and 50% by Mr. Lin and Mr. Ruan. As at 31 December 2019, the Operating Entities were principally engaged in the daily operation and distribution of the printed media business of the Group, namely, "旅伴" (Fellow Traveller) (a monthly nationwide periodicals distributed on CRH trains and selected regular trains in the PRC), as well as digitalized advertising business on the online platforms.

Pursuant to the prevailing laws and regulations in China, enterprises with foreign ownership are prohibited from engaging in the business of web publishing, publication and general distribution of books, periodicals and newspapers in China. Therefore the Group entered into cooperation agreements with our partners in the PRC through the Contracting Entities for the operation and distribution of printed media and digital advertising. The revenue from the Operating Entities contributed approximately 34.0% of the total revenue of the Group for the year ended 31 December 2019. Accordingly, the Board considers that the Contracting Entities and the Contractual Arrangements are significant to the business of the Group.

## REPORT OF THE DIRECTORS

The table below sets out the revenue and loss for the year of the Contracting Entities for the year ended 31 December 2019 and the total assets and total liabilities of the Contracting Entities, including intercompany balances, as at 31 December 2019:

	<b>For the year ended 31 December 2019</b>	<b>Approximate percentage of contribution to the Group</b>
	RMB million	(%)
Revenue	27.082	34.0%
Loss for the year	1.023	1.2%

	<b>As at 31 December 2019</b>	<b>Approximate percentage of contribution to the Group</b>
	RMB million	(note) (%)
Total assets	63.445	12.6%
Total liabilities	54.127	38.2%

*Note:* The total assets and total liabilities of the Contracting Entities (i.e. the numerator in calculation of the percentage) include a significant amount of intercompany balances of the Group of approximately RMB53.816 million and RMB21.556 million, respectively. Assuming such intercompany balances of the Group are excluded from the total assets and total liabilities of the Group in calculation of the percentage, the total assets of the Contracting Entities account for approximately 1.9% of the total assets of the Group as at 31 December 2018 whereas the total liabilities of the Contracting Entities account for approximately 22.9% of the total liabilities of the Group as at 31 December 2019.

## RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS AND ACTIONS TAKEN BY THE COMPANY TO MITIGATE THE RISKS

### There is no assurance that the Contractual Arrangements are in compliance with future PRC laws and regulations

Although the PRC legal advisers of the Company confirms that the Structure Agreements constitute valid and binding contractual arrangements between the parties thereto and are in compliance with the prevailing and applicable laws or regulations in China, there is no assurance that there will be no future laws and regulations promulgated by the PRC government that would limit the implementation of the arrangements under the Structure Agreements.

If the Structure Agreements are considered to be in breach of the applicable laws and regulations in China in the future, the Group could be subject to penalty imposed by the PRC government or that the arrangements under the Structure Agreements would need to discontinue or be subject to such other conditions or requirements that the Group may not be able to comply with.

## REPORT OF THE DIRECTORS

Moreover, if the ownership structure, contractual arrangements and businesses under the Contractual Arrangements are found to be in violation of any existing or future laws or regulations in China, the PRC government would have discretion in dealing with such violations, including:

- revoking the business licence of Aoshen Technology, which business and operations are essential to the operation of the Group's business;
- levying fines;
- confiscating the income of Aoshen Technology;
- discontinuing or restricting the Group's operations;
- imposing conditions or requirements with which the Group's operations may not be able to comply with;
- requiring the Group to restructure its relevant ownership structure, operations or contractual arrangements; and
- taking other regulatory or enforcement actions that could be harmful to the Group's business.

If the PRC government takes any of the above mentioned measures against the Group, the Group may have to cease its business and the Group's operating results could be adversely affected.

### **The Company relies on the Contractual Arrangements to control and obtain economic benefits from the Operating Entities, which may not be as effective in providing operational control as direct ownership**

As the Company obtains the revenue generated by the Operating Entities from the arrangements under the Structure Agreements, if Mr. Lin, Mr. Ruan and/or the Contracting Entities breach their obligations under the Structure Agreements or if the Contracting Entities loses effective control over the Operating Entities for any reason, there might be cessation of the Structure Agreements.

Cessation of the arrangements under the Structure Agreements could result in the Operating Entities ceasing to contribute revenue to the Group until alternative arrangements are found. There might be disruption or discontinuance of the Group's operations if alternative arrangements cannot be found or if any new arrangements cannot be put into effect in a timely manner. Any of these incidents could have a material adverse effect on the Group's business, operating results and financial condition.

## REPORT OF THE DIRECTORS

### Actions taken by the Company to mitigate the risks

In light of the risks set out above, the Company would seek legal advice from its PRC legal advisers regarding the legality, validity and enforceability of Contractual Arrangements regularly so as to identify and mitigate the adverse impact brought by the Contractual Arrangements in a timely manner as a result of the future PRC laws and regulations.

In addition, it is the intention of the Group to unwind the Contractual Arrangements when foreign investment in the business of publication and general distribution of books, periodicals and newspapers in China is no longer restricted in the PRC. However, as at the date of this announcement, such restrictions remain subsisted in the PRC and therefore the Contractual Arrangements are still subsisting as at the date of this report.

### Confirmation of independent non-executive Directors:

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

- (1) in the ordinary and usual course of business of the Company;
- (2) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;
- (3) in accordance with the terms of the Structure Agreements that are fair and reasonable and in the interests of the shareholders of the Company as a whole and have been operated so that the revenue generated by the Contracting Entities has been substantially retained by Aoshen Technology; and
- (4) no dividends or other distributions have been made by the Contracting Entities to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group.

### Assurance Engagement on Continuing Connected Transactions:

The Company auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditors' Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his assurance report containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the assurance report has been provided by the Company to the Hong Kong Stock Exchange.

# REPORT OF THE DIRECTORS

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as at the latest practicable date prior to the issue of this annual report as required under the GEM Listing Rules.

## EVENT AFTER THE REPORTING PERIOD

- (a): Since January 2020, the outbreak on Novel Coronavirus (“COVID-19”) has impacted the global business environment. Up to the date of these financial statements, the financial performance of the Group may be affected by the COVID-19, especially in the film and entertainment segment and prepaid card business. Pending the development and spread of COVID-19 subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.
- (b): On 24 April 2020, the Company proposes to implement the share consolidation by consolidating every ten (10) issued and unissued shares of US\$0.001 each in the share capital of the Company into one (1) consolidated share of US\$0.01 each. The extraordinary general meeting is expected to be held on 8 June 2020. For details, please refer to the Company’s announcement dated 24 April 2020.

## AUDITOR

On 27 December 2017, Deloitte Touche Tohmatsu, who acted as auditor of the Company, resigned and HLB Hodgson Impey Cheng Limited was appointed as auditor of the Company. The details of the change of auditor are set out in the Company’s announcement date on 27 December 2017.

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by HLB Hodgson Impey Cheng Limited, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board  
**Ruan Deqing**  
*Chairman*

Hong Kong, 14 May 2020



# INDEPENDENT AUDITORS' REPORT



國衛會計師事務所有限公司  
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

**To The Shareholders of China 33 Media Group Limited**  
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of China 33 Media Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 143, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

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

# INDEPENDENT AUDITORS' REPORT

## Key audit matter

## How our audit addressed the key audit matter

### **Valuation of film rights**

Refer to note 3 and note 20 to the consolidated financial statements

Our procedures in relation to valuation of film rights included:

We identified the valuation of film rights of RMB93,012,000 as disclosed in note 20 to the consolidated financial statements as a key audit matter due to the judgment and estimation uncertainty associated with the impairment assessment.

- Obtaining all agreements for the sales of film rights entered into after the end of the reporting period;
- Examining the supporting documents for the installments received from the buyers for the sales of film rights; and
- Assessing and challenging the management's assessment on the recoverability for those film rights not yet sold after the end of the reporting period.

The management of the Group assesses the impairment of film rights on a film-by-film basis. The recoverable amount of the film rights was determined based on the present value of the expected future revenue generated from the film less future cost of sales. If the recoverable amount is lower than the carrying amount, the carrying amount of the film rights will be written down to its recoverable amount. Since the carrying value of film rights accounted for approximately 18.4% of the Group's total assets, if any impairment loss on the film rights from the impairment assessment may have significant impact on the results of the Group for the year ended 31 December 2019.

We consider the management conclusion consistent with the available information.

During the year ended 31 December 2019, an impairment loss on film right of approximately RMB19,888,000 was recognised.

### **Prepayment for film and entertainment business**

Refer to note 3 and note 20 to the consolidated financial statements

Our procedures in relation to the prepayment for film and entertainment business included:

We identified the prepayment for film and entertainment business amounting to RMB188,865,000 as disclosed in note 20 to the consolidated financial statements as a key audit matter in view of the significant balance.

- Obtaining cooperative agreements signed with the production companies;
- Checking the payment details against the terms of the cooperative agreements;
- Obtaining confirmations to confirm the prepayment for film and entertainment business balance;
- Conducting company searches on the production companies to ensure they are not related parties; and
- Conducting interviews, on a sample basis, with the production companies to understand the progress of the production.

The amount represents the prepayment to the production companies who are responsible for the production of movies and television dramas, concert production services and concert event management. The prepayment for film and entertainment business will be reclassified to film rights upon commencement of production of the related films.

We consider the management conclusion consistent with the available information.

# INDEPENDENT AUDITORS' REPORT

## Key audit matter

### *Impairment assessment on trade receivables*

Refer to note 3 and note 19 to the consolidated financial statements

As at 31 December 2019, the Group had gross trade receivables of approximately RMB118,304,000 and provision for impairment of approximately RMB42,537,000.

In general, the credit terms granted by the Group to the customers ranged between 30 to 365 days. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.

## How our audit addressed the key audit matter

Our procedures in relation to management's impairment assessment of the trade receivables as at 31 December 2019 included:

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis;
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2019 to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

# INDEPENDENT AUDITORS' REPORT

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



## INDEPENDENT AUDITORS' REPORT

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



## INDEPENDENT AUDITORS' REPORT

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

The engagement director on the audit resulting in the independent auditors' report is Wong Sze Wai, Basilia.

### **HLB Hodgson Impey Cheng Limited**

Certified Public Accountants

### **Wong Sze Wai, Basilia**

Practising Certificate Number: P05806

Hong Kong, 14 May 2020

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

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5	<b>79,568</b>	68,639
Cost of sales		<b>(72,318)</b>	(65,743)
Gross profit		<b>7,250</b>	2,896
Other income	7	<b>1,482</b>	600
Other gains and losses, net	8	<b>(16,404)</b>	(6,083)
Selling and distribution expenses		<b>(5,520)</b>	(5,309)
Provision for film rights	20	<b>(19,888)</b>	–
Impairment loss for other receivables	19	<b>(26,278)</b>	–
Administrative expenses		<b>(28,752)</b>	(23,999)
Share of results of a joint venture		<b>(204)</b>	(145)
Finance cost	10	<b>(110)</b>	–
Loss before taxation	9	<b>(88,424)</b>	(32,040)
Taxation	12	<b>(56)</b>	(43)
Loss for the year		<b>(88,480)</b>	(32,083)
Other comprehensive income, net of income tax <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>14,840</b>	20,706
Total comprehensive loss for the year		<b>(73,640)</b>	(11,377)
Loss for the year attributable to:			
– Owners of the Company		<b>(78,780)</b>	(28,867)
– Non-controlling interests		<b>(9,700)</b>	(3,216)
		<b>(88,480)</b>	(32,083)
Total comprehensive loss for the year attributable to:			
Owners of the Company		<b>(63,940)</b>	(8,161)
Non-controlling interests		<b>(9,700)</b>	(3,216)
		<b>(73,640)</b>	(11,377)
Loss per share		<b>RMB cents</b>	RMB cents
Basic and diluted	14	<b>(1.37)</b>	(0.50)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Notes</i>	<b>2019</b> RMB'000	2018 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	15	<b>8,581</b>	14,323
Right-of-use assets	16	<b>1,893</b>	–
Interest in a joint venture	17	–	204
Prepayments and deposits	19	<b>2,412</b>	2,620
Prepayment for film and entertainment business	20	<b>78,352</b>	97,222
		<b>91,238</b>	114,369
<b>Current assets</b>			
Film rights	20	<b>93,012</b>	112,442
Trade receivables	19	<b>75,767</b>	63,461
Prepayments, deposits and other receivables	19	<b>23,828</b>	51,848
Prepayment for film and entertainment business	20	<b>110,513</b>	96,967
Financial assets at fair value through profit or loss	18	<b>2,348</b>	4,022
Pledged bank deposits	21	<b>2,968</b>	2,858
Restricted cash	21	<b>86,153</b>	47,020
Cash and cash equivalents	21	<b>18,573</b>	30,750
		<b>413,162</b>	409,368
<b>Current liabilities</b>			
Trade payables	22	<b>22,090</b>	15,419
Other payables and accruals	22	<b>109,132</b>	75,637
Contract liabilities	23	<b>8,311</b>	737
Lease liabilities	24	<b>1,510</b>	–
Tax payable		<b>259</b>	203
		<b>141,302</b>	91,996
<b>Net current assets</b>		<b>271,860</b>	317,372
Total assets less current liabilities		<b>363,098</b>	431,741
<b>Non-current liabilities</b>			
Lease liabilities	24	<b>387</b>	–
		<b>387</b>	–
<b>Net assets</b>		<b>362,711</b>	431,741
<b>Capital and reserves</b>			
Share capital	25	<b>36,721</b>	36,721
Reserves		<b>342,677</b>	403,195
<b>Equity attributable to owners of the Company</b>		<b>379,398</b>	439,916
<b>Non-controlling interests</b>		<b>(16,687)</b>	(8,175)
<b>Total equity</b>		<b>362,711</b>	431,741

The consolidated financial statements on pages 62 to 143 were approved and authorised for issue by the Board of Directors on 14 May 2020 and are signed on its behalf by:

**Ruan Deqing**  
DIRECTOR

**Ma Pun Fai**  
DIRECTOR

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note i)	Statutory reserve RMB'000 (Note ii)	Share redemption reserve RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	36,721	626,521	26,239	13,174	19	(1,358)	7,288	(253,650)	454,954	(4,666)	450,288
Adoption of IFRS 9 (Note iii)	-	-	-	-	-	-	-	(6,877)	(6,877)	(293)	(7,170)
Adjusted balance at 1 January 2018	36,721	626,521	26,239	13,174	19	(1,358)	7,288	(260,527)	448,077	(4,959)	443,118
Loss for the year	-	-	-	-	-	-	-	(28,867)	(28,867)	(3,216)	(32,083)
Exchange differences on translation of foreign operations	-	-	-	-	-	20,706	-	-	20,706	-	20,706
Total comprehensive income (expense) for the year	-	-	-	-	-	20,706	-	(28,867)	(8,161)	(3,216)	(11,377)
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	-	(2,481)	2,481	-	-	-
At 31 December 2018	36,721	626,521	26,239	13,174	19	19,348	4,807	(286,913)	439,916	(8,175)	431,741
Loss for the year	-	-	-	-	-	-	-	(78,780)	(78,780)	(9,700)	(88,480)
Exchange differences on translation of foreign operations	-	-	-	-	-	14,840	-	-	14,840	-	14,840
Total comprehensive income (expense) for the year	-	-	-	-	-	14,840	-	(78,780)	(63,940)	(9,700)	(73,640)
Released upon disposal of subsidiary (Note 31)	-	-	-	-	-	-	-	(1,188)	(1,188)	1,188	-
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	-	(4,807)	4,807	-	-	-
Recognition of equity-settled share-based payments (Note 26)	-	-	-	-	-	-	4,610	-	4,610	-	4,610
At 31 December 2019	36,721	626,521	26,239	13,174	19	34,188	4,610	(362,074)	379,398	(16,687)	362,711

## Notes:

- (i) The capital reserve represents the aggregate of:
- (1) the amount of fair value of the identifiable net assets of Fujian Ao Shen Media Advertising Co., Ltd ("Fujian Ao Shen"), Beijing Datusu Media Advertising Co. Ltd ("Beijing Datusu"), Beijing Lvban Media Advertising Co., Ltd, Shanghai Lvban Culture Transmission Co. Ltd, Jinan Lvban Advertising Co. Ltd and Guangzhou Lvban Advertising Co., Ltd of RMB23,797,000 acquired by the Group from Mr. Lin Pintong ("Mr. Lin") and Mr. Ruan Deqing ("Mr. Ruan"), executive directors and controlling shareholders of the Group, on 30 June 2008 at nil consideration; and
  - (2) the fair value of share options of Lizhong Limited ("Lizhong"), the former immediate holding company of the Company, granted by Lizhong to employees of the Group amounting to RMB2,442,000 was recognised as share-based payment expense from year 2007 to year 2011 for the services provided by the employees to the Group.
- (ii) As stipulated by the relevant regulations in the People's Republic of China (the "PRC"), the Company's subsidiaries established and operating in the PRC are required to appropriate 10% of their profit after tax as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners. The statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid-up capital by issuing additional capital to the owners in proportion to the owners' existing equity holdings, provided that the balance after such conversion is not less than 25% of the registered capital.
- (iii) Upon the adoption of IFRS 9 "Financial Instruments" on January 1, 2018, as accumulated impact of RMB7,170,000 was recorded as an adjustments to the accumulated losses and non-controlling interests as at 1 January 2018, which represented the impairment loss allowance, net of deferred tax impact.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	<i>Notes</i>	<b>2019</b> <b>RMB'000</b>	2018 RMB'000
<b>OPERATING ACTIVITIES</b>			
Loss before taxation		<b>(88,424)</b>	(32,040)
Adjustments for:			
Depreciation of property, plant and equipment	15	<b>2,482</b>	3,280
Depreciation on right-of-use assets	16	<b>1,261</b>	–
Bank interest income	7	<b>(553)</b>	(153)
Finance costs	10	<b>110</b>	–
Loss on disposal of property, plant and equipment	8	<b>453</b>	296
Share-based payment expenses	9	<b>4,610</b>	–
Allowance for expected credit losses on trade receivables	8	<b>16,822</b>	2,294
Reversal of allowance for expected credit losses on trade receivables	8	<b>(3,421)</b>	(1,321)
Allowance for expected credit losses on deposits and other receivables	8	<b>802</b>	270
Reversal of allowance for expected credit losses on deposits and other receivables	8	<b>(79)</b>	–
Impairment loss for other receivables	19	<b>26,278</b>	–
Provisions for film rights	20	<b>19,888</b>	–
Share of results of a joint venture	17	<b>204</b>	145
Gain on bargain purchase of business combination	30	<b>(89)</b>	–
Loss on disposal of subsidiary	31	<b>1,227</b>	–
Fair value changes of financial assets at fair value through profit or loss	8	<b>1,611</b>	4,660
Operating cash flows before movements in working capital		<b>(16,818)</b>	(22,569)
Decrease/(increase) in film rights		<b>1,298</b>	(21,978)
Increase in trade receivables		<b>(25,707)</b>	(22,908)
Decrease/(increase) in prepayments, deposits and other receivables		<b>2,434</b>	(156)
Decrease in prepayment on film and entertainment business		<b>5,324</b>	64,220
Increase in restricted cash		<b>(39,133)</b>	(24,286)
Increase in trade payables		<b>6,671</b>	1,101
Increase in other payables and accruals		<b>40,790</b>	19,928
Purchase of financial assets at fair value through profit or loss		–	(4,090)
Proceeds from disposal of financial assets at fair value through profit or loss		<b>126</b>	8,115
Cash used in operations		<b>(25,015)</b>	(2,623)
PRC tax paid		–	83
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(25,015)</b>	(2,540)



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	<i>Notes</i>	<b>2019</b> <b>RMB'000</b>	2018 RMB'000
<b>INVESTING ACTIVITIES</b>			
Bank interest received		<b>553</b>	153
Proceeds from disposal of property, plant and equipment		<b>2,907</b>	3,379
Purchase of property, plant and equipment		<b>(8)</b>	(1,339)
Net cash outflow arising in business combination	<i>30</i>	<b>(926)</b>	–
Net cash outflow from disposal of subsidiary	<i>31</i>	<b>(9)</b>	–
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>2,517</b>	2,193
<b>FINANCING ACTIVITIES</b>			
Repayments of lease liabilities		<b>(1,229)</b>	–
Repayments of interest on lease liabilities		<b>(110)</b>	–
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(1,339)</b>	–
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(23,837)</b>	(347)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>30,750</b>	18,473
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>11,660</b>	12,624
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>18,573</b>	30,750

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 1. GENERAL

China 33 Media Group Limited (the "Company") is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. Its parent is Lizhong Limited incorporated in the Cayman Islands, and its ultimate parents are Joint Loyal Limited and Broad Win Limited incorporated in British Virgin Islands. Its ultimate controlling parties are Mr. Ruan Deqing ("Mr. Ruan") and Mr. Lin Pintong ("Mr. Lin"). Mr. Ruan is also the Chairman and Executive Director of the Company. The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Suite 2001, Tower 1, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The head office of the Company in the PRC will be changed to Unit 410-412, 4/F., One Indigo, 20 Jiuxianqiao Road, Chaoyang District, Beijing, China with effect from 9 September 2019.

The Company's functional currency is Hong Kong dollars ("HK\$"). However, the consolidated financial statements are presented in Renminbi ("RMB"), as the directors of the Company consider that RMB is the functional currency of the primary economic environment in which most of the Group's transactions are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated of financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

The Company is an investment holding company. The principal activities of its subsidiaries and a joint venture are set out in notes 37 and 17 respectively.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except for the new and amendments to IFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and interpretations will have no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

### IFRS 16 Leases

#### Transition and summary of effects arising from initial application of IFRS 16

On 1 January 2019, the Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17, and the related interpretations. The Group applied the IFRS 16 in accordance with the transition provisions of IFRS 16.

#### Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

#### As a lessor

During the year ended 31 December 2019, application of IFRS 16 by the Group as a lessor has no material impact on the Group’s consolidated financial statements.

#### As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- ii. applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

### IFRS 16 Leases (continued)

#### As a lessee (continued)

- iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;
- iv. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- v. relied on the assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

On transition, the Group has made the following adjustments upon application of IFRS 16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by relevant group entities ranged from 5.8% to 6.8%.

	<b>At 1 January 2019 RMB'000</b>
Operating lease commitments disclosed as at 31 December 2018	<b>4,480</b>
Less: practical expedient-leases with lease term ending within 12 months from date of initial application	<b>(983)</b>
Less: contracts committed but not yet commenced at 1 January 2019	<b>(3,497)</b>
Lease liabilities as at 1 January 2019	<b>–</b>

On 1 January 2019, there is no impact of transition to IFRS 16 on the assets, liabilities and accumulated losses at the date of initial application.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

### IFRS 16 Leases (continued)

#### Issued but not yet effective International Financial Reporting Standard

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts <sup>2</sup>
Amendments to IFRS 3	Definition of a Business <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>4</sup>
Amendments to IFRS 9 IAS 39 and IFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to IFRSs, a revised “Conceptual Framework for Financial Reporting” was issued in 2018. Its consequential amendments, the “Amendments to References to the Conceptual Framework” in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("Listing Rules") and the applicable disclosures requires by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- has exposure, or rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Basis of consolidation** (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### **Changes in the Group's ownership interests in existing subsidiaries**

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### **Investments in associates and joint venture**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in associates and joint venture (continued)

The results and assets and liabilities of associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates and joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates and joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue and other income recognition

#### Revenue recognition

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance complete to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue and other income recognition (continued)

#### Revenue recognition (continued)

##### *Printed Media Advertising*

Revenue from printed media advertising is recognised over time upon the performance of the services or in accordance with the terms of the contracts.

Revenue from printed media advertising mainly represented the amount generated from the sales of the advertising space on the periodicals and was recognised upon the publication of the periodicals in which the respective advertisement was placed.

Revenue from provision of printed media advertising is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits of advertising provided by the Group.

##### *Outdoor and Digital Advertising*

Revenue from outdoor and digital advertising is recognised over time upon the performance of the service or in accordance with the terms of the contracts. Revenue from outdoor and digital advertising represented the advertising income generated from online advertising through mobile applications and websites, etc., as well as sale of advertising spaces on the billboard and LEDs installed at certain railway station, revenue from promotion campaigns conducted in train stations. Revenue was recognised when advertising were published or station campaigns were launched.

Revenue from provision of outdoor and digital advertising is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits of advertising provided by the Group.

##### *Film and entertainment investment income*

Revenue from the distribution of film rights and entertainment was recognised at point in time when (i) the Group's entitlement to such payments has been established which was upon the delivery of the master copy or materials to the customers, and (ii) the collectability of proceeds was reasonably assured.

##### *Prepaid card*

Revenue from prepaid card service is recognised in accounting period in which the services are rendered. Prepaid card service is recognised when the prepaid cardholders made payments of fares using the prepaid card and the card related fees when the service was provided.

Revenue from prepaid card mainly represent the transaction fees recognised when the prepaid cardholders made payments of fares using the prepaid card and the card related fees when the service was provided.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants where primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss on a systematic and rational basis in the period in which they become receivable.

### Leasing (upon application of IFRS 16)

#### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### As a lessee

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (upon application of IFRS 16) (continued)

#### As a lessee (continued)

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (upon application of IFRS 16) (continued)

#### As a lessee (continued)

#### Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

#### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (upon application of IFRS 16) (continued)

#### As a lessor

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

##### *Allocation of consideration to components of a contract*

Effective on 1 January 2019, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### *Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

### Leasing (before application of IFRS 16)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (before application of IFRS 16) (continued)

#### The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating leases are added to the carrying amount of the leased assets.

#### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

#### Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

#### Film rights

Film rights represent films, television programmes and television drama series ("films" or singularly, "film") produced by the Group or acquired by the Group.

Prepayment under film cooperation agreements are transferred to film rights upon commencement of production of the related films.

Film rights are stated at cost less any identified impairment loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, and interests in associates and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

### Retirement benefit costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

### Other non-current assets

Other non-current assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for other non-current assets is provided on a straight-line basis over their respective estimated useful lives, i.e. the term of the expected duration of outdoor advertising activities to be carried out by the Group. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

A non-current asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of a non-current asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment on tangible assets (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

### Financial instruments

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised in profit or loss.

### Financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

### Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

### Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other revenue and other income" line item.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial assets (continued)

#### Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, loan receivables, pledged bank deposit and cash and bank balances). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial assets (continued)

#### Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;  
or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Definition of default (continued)

#### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 365 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

#### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, and other receivables for termination of film investment, are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Definition of default (continued)

### Measurement and recognition of ECL (continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

### Financial liabilities and equity instruments

#### Classification as financial liabilities or equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

#### Financial liabilities at amortised cost

Financial liabilities (including bank loan, trade payables, accruals and other payables) are subsequently measured at amortised cost, using the effective interest method.

#### Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial liabilities and equity instruments (continued)

#### Derivative financial instruments (continued)

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss.

### Equity-settled share-based payment transactions

#### Share options granted to employees

*Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

#### Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical accounting judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Note 37 describes that Fujian Ao Shen and Beijing Datisu (collectively the "Contracting Entities", each a "Contracting Entity") are subsidiaries of the Group although the Group does not have any equity interest in the registered capital of the Contracting Entities, each of which were established and owned as to 50% and 50% by Mr. Lin and Mr. Ruan, controlling shareholders of the Group, while Mr. Ruan is also an executive director of the Company. The directors assessed whether or not the Group has control over the Contracting Entities based on whether the Group has the practical ability to direct the relevant activities of the Contracting Entities unilaterally. In making their judgment, the directors considered the Contractual Arrangements (see the details of the Contractual Arrangements below).

### Control over the Contracting Entities

On 17 December 2010, Hong Kong Ao Shen Investment Co., Ltd ("Hong Kong Ao Shen", a wholly-owned subsidiary of the Company), Ao Shen Technology Service (Fuzhou) Co., Ltd ("Ao Shen Technology", a wholly-owned subsidiary of Hong Kong Ao Shen), each of the Contracting Entities and their respective equity participants, Mr. Lin and Mr. Ruan, entered into a series of agreements (the "Contractual Arrangements") with the following key provisions:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Critical accounting judgements in applying accounting policies (continued)

#### Control over the Contracting Entities (continued)

##### *Framework agreements*

The framework agreements (the "Framework Agreements") dated 17 December 2010 entered into between (i) Ao Shen Technology; (ii) the Contracting Entities; and (iii) Mr. Lin and Mr. Ruan, whereby the Contracting Entities have undertaken, among others, not to enter into any material business transaction without the prior written consent of Ao Shen Technology. The Contracting Entities shall appoint individuals as nominated by Ao Shen Technology to be their directors and key management as and when Ao Shen Technology sees fit. Furthermore, Ao Shen Technology or its nominees is entitled to exercise their rights as if they were the shareholder of the Contracting Entities. Any dividend distributable reserve and/or other assets (including residual assets upon dissolution of the Contracting Entities) derived from the equity interests in the Contracting Entities shall also be paid to Ao Shen Technology or to such other entities or otherwise deal with in such other manner as Ao Shen Technology may direct. Each of the Framework Agreements has become effective when it was executed on 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Ao Shen Technology by the giving of a 30-day advance notice in writing; or pursuant to the terms under other agreements entered into by the relevant parties; and it will be automatically terminated upon dissolution of the relevant Contracting Entity.

##### *Option agreements*

Hong Kong Ao Shen, each of Mr. Lin and Mr. Ruan and each of the Contracting Entities entered into exclusive option agreements (the "Option Agreements") whereby Hong Kong Ao Shen has been granted options to acquire the entire equity interest in the Contracting Entities at nil consideration or the minimum amount as permitted by the applicable PRC laws. Subject to compliance with the PRC laws, such options may be exercised at any time and in any manner at the sole discretion of Hong Kong Ao Shen. Pursuant to the Option Agreements, each of the Contracting Entities and/or Mr. Lin and Mr. Ruan has given undertakings that it shall perform certain acts or refrain from performing certain other acts unless with the prior written consent of Ao Shen Technology, including but not limited to the below matters:

- (a) that each of the Contracting Entities shall not alter its constitutional documents or its registered capital unless with the prior consent from Ao Shen Technology;
- (b) that any of the Contracting Entities and/or Mr. Lin and Mr. Ruan shall not incur any indebtedness or guarantee (other than those incurred in the ordinary course of business and disclosed to and approved by Ao Shen Technology in advance);
- (c) that each of the Contracting Entities shall not provide any loan or guarantee to any third parties;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Critical accounting judgements in applying accounting policies (continued)

#### Control over the Contracting Entities (continued)

##### Option agreements (continued)

- (d) that each of the Contracting Entities shall not dispose of or create encumbrances over any part of its assets, business or revenue and that Mr. Lin and Mr. Ruan shall not dispose of or create encumbrances over the equity interest held by them in each of the Contracting Entities, except the security created under the Equity Pledge Agreement (as defined below);
- (e) that each of the Contracting Entities shall not enter into any material contracts over RMB1,000,000 other than those in its ordinary course of business;
- (f) that each of the Contracting Entities shall not distribute any dividend (including any undistributed attributable profit payable to the entity's shareholders prior to the Option Agreements becoming effective) to its shareholders and that Mr. Lin and Mr. Ruan undertake that such undistributed profit shall be retained in each of the Contracting Entities as its capital and/or reserved fund and shall give up and assign or transfer to Ao Shen Technology any dividend declared and distributed thereafter and payable to them by virtue of their holding of the equity interest in each of the Contracting Entities;
- (g) that each of the Contracting Entities shall not make investment or engage in any merger or acquisition transactions; and
- (h) that at the request of Ao Shen Technology, Mr. Lin and Mr. Ruan shall appoint such persons nominated by Ao Shen Technology to act as the directors, supervisors and senior management members of each of the Contracting Entities.

Each of the Option Agreements has become effective when it was executed on 17 December 2010 and will only expire on the date on which all the equity interests in the Contracting Entities are transferred to Hong Kong Ao Shen and/or its nominees, and the registrations of such equity transfers in the relevant Administration of Industry and Commerce in the PRC are completed; and it will be automatically terminated upon dissolution of the relevant Contracting Entity.

##### Power of attorney

Ao Shen Technology and Mr. Lin and Mr. Ruan entered into power of attorney (the "Power of Attorney") pursuant to which Mr. Lin and Mr. Ruan have unconditionally and irrevocably undertaken to authorise such person(s) as designated by Ao Shen Technology (being PRC citizens) to exercise the shareholders' rights in relation to appointment of proxy and exercise of voting rights in each of the Contracting Entities under the articles of associate of the Contracting Entities and the applicable PRC laws. Such shareholders' rights include but are not limited to (i) calling and attending the shareholders' meetings of the Contracting Entities; (ii) exercising the voting rights on all matters requiring the consideration and approval of shareholders and those pursuant to articles of association of the Contracting Entities.

Before Ao Shen Technology acquires the equity interests from Mr. Lin and Mr. Ruan in each of the Contracting Entities contemplated under the Option Agreements, Ao Shen Technology can exercise the voting rights of shareholders of the Contracting Entities as if Ao Shen Technology and hence the Group was the ultimate beneficial owner of the Contracting Entities by virtue of the Power of Attorney.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Critical accounting judgements in applying accounting policies (continued)

#### Control over the Contracting Entities (continued)

##### *Power of attorney (continued)*

The term of the Power of Attorney commenced on 17 December 2010 and will remain effective during the term of the Framework Agreements.

##### *Exclusivity agreements*

Ao Shen Technology and each of the Contracting Entities entered into exclusivity agreements (the "Exclusivity Agreements") pursuant to which the Contracting Entities will exclusively engage Ao Shen Technology to provide consultation services in the management of assets, operation and liabilities, sales and marketing and other supporting services.

In consideration of the provision of the aforementioned services by Ao Shen Technology, each of the Contracting Entities agrees to pay to Ao Shen Technology (or such other entities as Ao Shen Technology may direct) fees on an annual basis in arrears. Fees payable to Ao Shen Technology by each of the Contracting Entities will be equivalent to the total revenue less all the related costs, expenses and taxes of the respective Contracting Entities, as audited by certified public accountants of the PRC.

Pursuant to the Exclusivity Agreements, each of the Contracting Entities shall not without the prior written consent of Ao Shen Technology to dispose of or pledge its material assets, operation rights and/or business; alter its registered capital; alter its scope of business; declare dividends; and/or remove any of its directors and senior management members.

The term of the Exclusivity Agreements commenced from 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Ao Shen Technology by the giving of a 30-day advance notice in writing; and it will be automatically terminated upon dissolution of the relevant Contracting Entity.

##### *Equity pledge agreements*

Ao Shen Technology and Mr. Lin and Mr. Ruan entered into equity pledge agreements (the "Equity Pledge Agreements"), whereby Mr. Lin and Mr. Ruan have pledged their entire interests in each of the Contracting Entities to secure the payment of consultations services fees to Ao Shen Technology under the Exclusivity Agreements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Critical accounting judgements in applying accounting policies (continued)

#### Control over the Contracting Entities (continued)

##### *Equity pledge agreements (continued)*

Pursuant to the Equity Pledge Agreements, without the prior written consent of Ao Shen Technology, the Contracting Entities shall not alter its current shareholding structure and/or its nature or scope of business, Mr. Lin and Mr. Ruan shall not allow the Contracting Entities to transfer or dispose of its assets and pledge or transfer their respective equity interests in the Contracting Entities in favour of or to other third parties. Ao Shen Technology is entitled to receive all dividends derived from the pledged equity interests. Ao Shen Technology is entitled to demand repayment of the secured indebtedness and/or to exercise its rights to sell the pledged equity interests on occurrence of certain events of default including but not limited to non-performance or breach of any of the Exclusivity Agreements, the Option Agreements and the Power of Attorney; or failure to repay other debts when due by the Contracting Entities or Mr. Lin and Mr. Ruan (as the case may be).

The Equity Pledge Agreements became effective when they were executed on 17 December 2010 until all payments in each of the Exclusivity Agreements are settled by the relevant Contracting Entity, as well as upon which the relevant Contracting Entity is no longer responsible for the performance under the Exclusivity Agreements; and they will be automatically terminated upon dissolution of the relevant Contracting Entity.

In the opinion of the directors, all the terms of the Contractual Arrangements are valid, binding and legally enforceable on all parties under the applicable laws in the PRC. Pursuant to the Contractual Arrangements, Mr. Lin and Mr. Ruan assigned all the shareholder's rights of the Contracting Entities and to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of the Contracting Entities to the Group. The directors of the Company considered such agreements give the Group the current ability to direct the relevant activities of the Contracting Entities. With the power over the Contracting Entities and the ability to use the power over the Contracting Entities to affect the amount of the Group's return, the Group treats the Contracting Entities as wholly-owned subsidiaries of the Company under IFRS 10 and the Contracting Entities' results, assets and liabilities are consolidated with those of the Group. The total assets, total liabilities and the loss for the year of the Contracting Entities and their subsidiaries are RMB63,445,000, RMB54,127,000 and RMB1,023,000 (2018: RMB46,426,000, RMB37,174,000 and RMB1,421,000) respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Impairment of property, plant and equipment

Determining whether an impairment is required requires an estimation of recoverable amounts of the property, plant and equipment or the respective cash generating units ("CGU") in which the property, plant and equipment belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets or CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows or the revision of estimated future cash flows are less than original estimated future cash flow, a material impairment loss may arise. As at 31 December 2019, the carrying amount of property, plant and equipment is RMB8,581,000 (2018: RMB14,323,000).

### Estimated impairment of film rights

At the end of the reporting period, the management of the Group assesses the impairment of film rights with reference to its recoverable amount. The assessment was made on a film-by-film basis. The recoverable amount of the film rights was determined based on the present value of the expected future revenue generated from the film less future cost of sales. If the recoverable amount is lower than the carrying amount, the carrying amount of the film rights will be written down to its recoverable amount. Based on the management assessment's on the recoverability of film rights, no impairment loss was recognised. As at 31 December 2019, the carrying amount of the film rights is RMB93,012,000 (2018: RMB112,442,000). Details of the film rights are disclosed in note 20.

### Estimated Impairment of trade and other receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement at amortised cost in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 33.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Valuation of share options

As explained in note 26, share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit or loss and share-based payment reserve.

### Impairment of right-of-use assets

Right-of-use assets is stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2019, the carrying amounts of right-of-use assets is RMB1,893,000 (2018: RMB Nil), no impairment losses were recognised during the year ended 31 December 2019. Details of the right-of-use assets are disclosed in note 16.

### Determining the lease term

As explained in note 2, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying assets to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 5. REVENUE

	2019 RMB'000	2018 RMB'000
An analysis of the Group's revenue for the year is as follows:		
Printed media advertising income	1,134	15,952
Outdoor and digital advertising income	44,774	10,107
Film and entertainment investment income	19,209	33,079
Prepaid card income	14,451	9,501
Total	<b>79,568</b>	68,639

All revenue contracts are for period of one year or less, as permitted by practical expedient under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed. Please refer to note 3 for the details of revenue recognition.

## 6. SEGMENT INFORMATION

The Group determines its operating segments and measurement of segment profits based on the internal reports to the executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment. The Group's reportable and operating segments are as follows:

- (a) printed media advertising: sale of advertising spaces in magazines distributed in certain train services in the PRC;
- (b) outdoor and digital advertising: income generated from online advertising through mobile applications and websites, etc. As well as sale of advertising spaces on the billboards and LEDs installed at certain railway stations, revenue from promotion campaigns conducted in train stations;
- (c) film and entertainment investment: investment for profit sharing on box office of movies and concerts and distribution income of film rights and television drama; and
- (d) prepaid card: transaction fees earned from participating service providers for the use of the prepaid cards by cardholders and other card related fees upon the provision of services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 6. SEGMENT INFORMATION (continued)

### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

#### For the year ended 31 December 2019

	Printed media advertising RMB'000	Outdoor and digital advertising RMB'000	Film and entertainment investment RMB'000	Prepaid card RMB'000	Consolidated RMB'000
Revenue – external customers	1,134	44,774	19,209	14,451	79,568
Timing of revenue recognition					
At a point in time	–	–	19,209	14,451	33,660
Over time	1,134	44,774	–	–	45,908
	1,134	44,774	19,209	14,451	79,568
Segment profit/(loss)	(1,478)	4,235	(63,708)	(6,516)	(67,467)
Bank interest income					553
Unallocated other income, other gains and losses, net					(1,350)
Share of results of a joint venture					(204)
Share-based payment expenses					(4,610)
Finance cost					(110)
Corporate and other unallocated expenses					(15,236)
Loss before taxation					(88,424)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 6. SEGMENT INFORMATION (continued)

### Segment revenue and results (continued)

For the year ended 31 December 2018

	Printed media advertising RMB'000	Outdoor and digital advertising RMB'000	Film and entertainment investment RMB'000	Prepaid card RMB'000	Consolidated RMB'000
Revenue – external customers	15,952	10,107	33,079	9,501	68,639
Timing of revenue recognition					
At a point in time	–	–	32,158	9,501	41,659
Over time	15,952	10,107	921	–	26,980
	15,952	10,107	33,079	9,501	68,639
Segment profit/(loss)	1,598	1,769	(3,161)	(11,991)	(11,785)
Bank interest income					153
Unallocated other income, other gains and losses, net					(4,641)
Share of results of a joint venture					(145)
Corporate and other unallocated expenses					(15,622)
Loss before taxation					(32,040)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit/(losses) earned or loss incurred by each segment without allocation of bank interest income, certain other income and other gains and losses, net fair value changes of financial assets at fair value through profit or loss, loss on disposal of property, plant and equipment, share of results of a joint venture, share-based payment expenses and corporate and other unallocated expenses. Corporate and other unallocated expenses included selling and distribution expenses, administrative expenses and other operating expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 6. SEGMENT INFORMATION (continued)

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

#### At 31 December 2019

	Printed media advertising RMB'000	Outdoor and digital advertising RMB'000	Film and entertainment investment RMB'000	Prepaid card RMB'000	Consolidated RMB'000
Segment assets	1,301	20,245	335,204	8,740	365,490
Financial assets at fair value through profit or loss					2,348
Amount due from a former subsidiary					105
Corporate and other unallocated assets					28,763
Pledged bank deposits					2,968
Restricted cash					86,153
Cash and cash equivalents					18,573
Consolidated assets					504,400
Segment liabilities	3,457	21,216	170	84,103	108,946
Corporate and other unallocated liabilities					32,743
Consolidated liabilities					141,689

#### At 31 December 2018

	Printed media advertising RMB'000	Outdoor and digital advertising RMB'000	Film and entertainment investment RMB'000	Prepaid card RMB'000	Consolidated RMB'000
Segment assets	1,753	10,972	397,171	3,127	413,023
Interest in a joint venture					204
Financial assets at fair value through profit or loss					4,022
Amount due from a former subsidiary					105
Corporate and other unallocated assets					25,755
Pledged bank deposits					2,858
Restricted cash					47,020
Cash and cash equivalents					30,750
Consolidated assets					523,737
Segment liabilities	5,537	3,165	166	49,933	58,801
Corporate and other unallocated liabilities					33,195
Consolidated liabilities					91,996

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 6. SEGMENT INFORMATION (continued)

### Segment assets and liabilities (continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than property, plant and equipment, financial assets at fair value through profit or loss, amount due from a former subsidiary, interests in a joint venture, certain prepayments, deposits and other receivables, pledged bank deposits, restricted cash and cash and cash equivalents; and
- all liabilities are allocated to operating and reportable segments other than certain other payables, and tax payable.

### Other segment information

For the year ended 31 December 2019

	Printed media advertising RMB'000	Outdoor and digital advertising RMB'000	Film and entertainment investment RMB'000	Prepaid card RMB'000	Consolidated RMB'000
Amounts included in the measure of segment results or segment assets					
Allowance for expect credit losses on trade receivables	30	1,024	15,717	51	16,822
Reversal of allowance for expect credit losses on trade receivables	(1,300)	(2,104)	-	(17)	(3,421)
Allowance for expect credit losses on deposits and other receivables	34	737	31	-	802
Reversal of allowance for expected credit losses on other receivables	-	(79)	-	-	(79)
Advertising agency fee and production expenses	3,849	40,961	-	-	44,810
Provision for firm rights	-	-	19,888	-	19,888
Impairment loss for refundable deposits for termination of film investments	-	-	26,278	-	26,278

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 6. SEGMENT INFORMATION (continued)

### Other segment information (continued)

For the year ended 31 December 2018

	Printed media advertising RMB'000	Outdoor and digital advertising RMB'000	Film and entertainment investment RMB'000	Prepaid card RMB'000	Consolidated RMB'000
Amounts included in the measure of segment results or segment assets					
Allowance for expect credit losses on trade receivables	95	150	2,049	-	2,294
Reversal of allowance for expect credit losses on trade receivables	(1,273)	-	(48)	-	(1,321)
Allowance for expect credit losses on deposits and other receivables	-	-	270	-	270
Advertising agency fee and production expenses	12,514	8,188	-	-	20,702

### Geographical information

Information about the Group's revenue from external customers presented based on the locations of customers, and information about the Group's non-current assets presented based on the geographical location of the assets and the business carried out by a joint venture are summarised below.

	Revenue from external customers		Non-current assets	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Hong Kong	25,906	34,144	5,728	3,060
Overseas	6,168	8,436	-	-
The PRC	47,494	26,059	85,510	111,309
	79,568	68,639	91,238	114,369

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 6. SEGMENT INFORMATION (continued)

### Geographical information (continued)

#### Information about major customers

For the year ended 31 December 2019, revenue generated from one (2018: two) customer of the Group from film and entertainment investment and one (2018: Nil) customer from outdoor and digital advertising amounting to approximately RMB11,455,000 (2018: RMB32,158,000) and RMB15,212,000 (2018: Nil) respectively has accounted for over 10% of the Group's total revenue.

Revenue from major customers, amounted to 10% or more of the Group's revenue are set out below:

	2019 RMB'000	2018 RMB'000
Customer A	11,455	23,722
Customer B	–*	8,436
Customer C	15,212	–
	<b>26,667</b>	32,158

\* The customers contributed less than 10% of the total revenue of the Group.

## 7. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Bank interest income	553	153
Government grants (Note (i))	–	60
Others (Note (ii))	929	387
	<b>1,482</b>	600

Note:

- (i) There are no unfulfilled conditions or contingencies relating to the government grants.
- (ii) Included the amount contributed by the other income received from managing a prepaid card sales counter for a co-branded partner amounted to approximately RMB 750,000 (2018: RMB 353,000).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 8. OTHER GAINS AND LOSSES, NET

	2019 RMB'000	2018 RMB'000
Allowance for expect credit losses on refundable deposits for termination of film investment	–	270
Allowance for expect credit losses on trade receivable	<b>16,822</b>	2,294
Reversal of allowance for expect credit losses on trade receivable	<b>(3,421)</b>	(1,321)
Allowance for expected credit losses on other receivables	<b>802</b>	–
Reversal of allowance for expected credit losses on other receivables	<b>(79)</b>	–
Loss on disposal of property, plant and equipment	<b>453</b>	296
Net exchange loss	<b>305</b>	50
Fair value change of financial assets at fair value through profit or loss	<b>1,611</b>	4,660
Others	<b>(89)</b>	(166)
	<b>16,404</b>	6,083

## 9. LOSS BEFORE TAXATION

	2019 RMB'000	2018 RMB'000
Loss before taxation has been arrived at after charging:		
Auditors' remuneration	<b>749</b>	717
Depreciation of property, plant and equipment	<b>2,482</b>	3,280
Depreciation on right-of-use assets	<b>1,261</b>	–
Employee benefit expense (including directors' emoluments)		
Salaries, bonuses and other benefits	<b>8,861</b>	11,129
Contributions to retirement benefits schemes	<b>728</b>	1,072
Total employee benefit expenses	<b>9,589</b>	12,201
Advertising agency fees and production expenses for printed media and outdoor and digital advertising (included in cost of sales)	<b>44,810</b>	20,702
Minimum lease payments under operating leases on buildings	–	3,187
Share-based payment expenses	<b>4,610</b>	–
Payment to short-term lease	<b>1,023</b>	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 10. FINANCE COST

	2019 RMB'000	2018 RMB'000
Interest expense on lease liabilities	110	–

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

### Directors' and chief executive's remuneration

Directors' and Chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	For the year ended 31 December 2019				
	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payment expenses RMB'000	Total emoluments RMB'000
<b>Executive directors</b>					
Mr. Peng Lichun	159	–	–	–	159
Mr. Ma Pun Fai	317	–	–	461	778
Mr. Ruan	–	473	48	461	982
	476	473	48	922	1,919
<b>Independent non-executive directors</b>					
Ms. Tay Sheve Li	159	–	–	–	159
Ms. Yu Shun Yan Verda	106	–	–	–	106
Mr. Yau Kit Yu	53	–	–	–	53
	318	–	–	–	318
Total emoluments	794	473	48	922	2,237

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

(continued)

### Directors' and chief executive's remuneration (continued)

	For the year ended 31 December 2018			
	Directors' fees	Salaries and allowances	Retirement benefits scheme contributions	Total emoluments
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors</b>				
Mr. Peng Lichun	152	–	–	152
Mr. Ma Pun Fai	236	–	–	236
Mr. Ruan	–	519	32	551
	388	519	32	939
<b>Independent non-executive directors</b>				
Ms. Tay Sheve Li	152	–	–	152
Ms. Yu Shun Yan Verda	101	–	–	101
Mr. Yau Kit Yu	51	–	–	51
	304	–	–	304
Total emoluments	692	519	32	1,243

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

(continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

### Employees' emoluments

Of the five individuals with the highest emoluments of the Group, two (2018: none) were directors of the Company. The emoluments of the remaining three (2018: five) individuals are set out as follows:

	2019 RMB'000	2018 RMB'000
Salaries, bonuses and other benefits	2,335	3,625
Contributions to retirement benefits schemes	45	74
	<b>2,380</b>	3,699

Their emoluments are within the following band:

	2019 Number of employees	2018 Number of employees
HK\$500,001 to HK\$1,000,000	2	4
HK\$1,000,001 to HK\$1,500,000	1	1
	<b>3</b>	5

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 12. TAXATION

	2019 RMB'000	2018 RMB'000
Current tax:		
PRC Enterprise Income Tax	56	43

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit in Hong Kong for both years.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment.) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Taxation for the Year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
Loss before taxation	(88,424)	(32,040)
Tax credit at applicable tax rate of 25% (2018: 25%)	(22,106)	(8,010)
Tax effect of expenses not deductible for tax purpose	14,133	4,466
Tax effect of income not taxable for tax purpose	(92)	(26)
Tax effect of tax losses not recognised	1,306	1,683
Tax effect of different tax rates in other jurisdictions	6,764	1,894
Tax effect of share of results of a joint venture	51	36
Taxation for the year	56	43



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 12. TAXATION (continued)

As at 31 December 2019, the Group had estimated unused tax losses of RMB149,200,000 (2018: RMB117,801,000) available for offset against future profits. Included in unrecognised tax losses are losses of RMB79,041,000 (2018: RMB80,989,000) that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB30,440,000 (2018: RMB34,649,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 13. DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: nil).

## 14. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2019 RMB'000	2018 RMB'000
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	<b>(78,780)</b>	(28,867)

	Number of shares	
	2019 '000	2018 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>5,760,000</b>	5,760,000

The calculation of the diluted loss per share for both years did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
<b>COST</b>					
At 1 January 2018	15,222	3,302	5,402	6,957	30,883
Additions	-	-	-	1,339	1,339
Effect of foreign currency exchange difference	-	108	-	318	426
Disposal/written off	(3,278)	-	(900)	(54)	(4,232)
At 31 December 2018 and 1 January 2019	11,944	3,410	4,502	8,560	28,416
Additions	-	-	-	8	8
Acquisition of a subsidiary (Note 30)	-	-	-	59	59
Effect of foreign currency exchange difference	-	40	-	124	164
Disposal/written off	(3,124)	-	(1,262)	(167)	(4,553)
At 31 December 2019	8,820	3,450	3,240	8,584	24,094
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2018	2,267	2,760	2,912	3,168	11,107
Provided for the year	819	353	425	1,683	3,280
Effect of foreign currency exchange difference	-	103	-	160	263
Eliminated on disposals/written-off	-	-	(527)	(30)	(557)
At 31 December 2018 and 1 January 2019	3,086	3,216	2,810	4,981	14,093
Provided for the year	452	-	337	1,693	2,482
Effect of foreign currency exchange difference	-	40	-	91	131
Eliminated on disposals/written off	(148)	-	(892)	(153)	(1,193)
At 31 December 2019	3,390	3,256	2,255	6,612	15,513
<b>CARRYING VALUES</b>					
At 31 December 2019	5,430	194	985	1,972	8,581
At 31 December 2018	8,858	194	1,692	3,579	14,323

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 15. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis to their residual values as follows:

Buildings	Over the shorter of lease terms and 20 years
Leasehold improvement	Over shorter of lease terms and 5 years
Motor vehicles	10 years
Office equipment	5 years

As at 31 December 2019 and 2018, the Group is in the process of obtaining the title deeds from relevant government authorities for residential properties in the PRC received by the Group in consideration for advertising services rendered, amounting to RMB2,438,000 (2018: RMB4,719,000). In the opinion of the directors, the Group is not required to incur additional cost in obtaining the title deeds for its buildings in the PRC.

## 16. RIGHT-OF-USE ASSETS

	<b>Leased Properties</b> RMB'000
<b>Cost</b>	
At 1 January 2019 ( <i>Note 2</i> )	–
Additions	3,126
Effect of foreign currency exchange difference	45
At 31 December 2019	3,171
<b>Accumulated depreciation and impairment losses</b>	
At 1 January 2019 ( <i>Note 2</i> )	–
Charge provided for the year	1,261
Effect of foreign currency exchange difference	17
At 31 December 2019	1,278
<b>Carrying amounts</b>	
At 31 December 2019	1,893
At 1 January 2019 (restated)	–

Lease liabilities of RMB1,897,000 are recognised with related right-of-use assets of RMB1,893,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 16. RIGHT-OF-USE ASSETS (continued)

Details of total cash outflow of leases is set out in the consolidated cash flow statements.

During the current year, the Group leases properties for self-own use. Lease contracts are entered into for fixed term of one to two years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

## 17. INTEREST IN A JOINT VENTURE

	2019 RMB'000	2018 RMB'000
Cost of investment in an unlisted joint venture	1,470	1,470
Share of post-acquisition results and other comprehensive expense	(1,470)	(1,266)
	–	204

On 15 September 2019, Beijing Guo Tie Tian Tong Cultural Development Co., Ltd was completed the deregistration process.

Particulars of the Group's joint venture are as follow:

Name	Place of establishment and operation	Paid-up capital	Percentage of equity attributable to the Group		Principal activities
			2019	2018	
北京國鐵天通文化發展有限公司 Beijing Guo Tie Tian Tong Cultural Development Co., Ltd. ("Guo Tie Tian Tong")	PRC	RMB3,000,000	49%	49%	Sale of magazines, newspapers and other electronic reading materials

### Summarised financial information of joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 17. INTEREST IN A JOINT VENTURE (continued)

### Summarised financial information of joint venture (continued)

The joint venture has been accounted for using the equity method in these consolidated financial statements.

	2019 RMB'000	2018 RMB'000
Current assets	–	417
Current liabilities	–	–
Net assets	–	417
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	–	337
Current financial liabilities (excluding trade payables and provisions)	–	–
Loss and total comprehensive expense for the year	<b>(416)</b>	(296)
Group's share of loss and total comprehensive expense of joint venture for the year	<b>(204)</b>	(145)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Guo Tie Tian Tong recognised in the consolidated financial statements.

	2019 RMB'000	2018 RMB'000
Net assets of Guo Tie Tian Tong	–	417
Proportion of the Group's ownership interest in Guo Tie Tian Tong	<b>49%</b>	49%
Carrying amount of the Group's interest in Guo Tie Tian Tong	–	204



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Financial assets at fair value through profit or loss		
– Equity securities listed in Hong Kong	2,348	4,022

Fair value are determined with reference to quoted market bid prices.

## 19. TRADE RECEIVABLES/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

### Trade receivables

	2019 RMB'000	2018 RMB'000
Trade receivables	118,304	92,597
Less: Allowance for expected credit losses	(42,537)	(29,136)
	<b>75,767</b>	63,461

The Group's credit terms with its customers generally range from 30 days to 365 days. The Group seeks to apply strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing. As at the end of the reporting period, an aged analysis of the trade receivables, net of allowance for bad and doubtful debts, presented based on the respective dates on which revenue was recognised, are as follows:

	2019 RMB'000	2018 RMB'000
Trade receivables:		
Within 90 days	25,739	30,140
91 – 180 days	4,853	4,276
181 – 365 days	7,429	484
Over 1 year	37,746	28,561
	<b>75,767</b>	63,461

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 19. TRADE RECEIVABLES/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9 for the year ended 31 December 2019 and 2018, are as follows:

	<b>Total</b> RMB'000
Balance as at 1 January 2018	28,163
Allowance for expected credit losses	2,294
Reversal of allowance for expected credit losses ( <i>note</i> )	(1,321)
Balance as at 31 December 2018	29,136
Allowance for expected credit losses	16,822
Reversal of allowance for expected credit losses ( <i>note</i> )	(3,421)
Balance as at 31 December 2019	42,537

*Note:* Reversal of allowance of ECL is due to the Group's recovery of receivable.

The loss allowances increased by approximately RMB16,822,000 and RMB2,294,000 for trade receivables during the year ended 31 December 2019 and 2018 respectively. Details of impairment assessment under expected credit loss model of trade receivables for the year ended 31 December 2019 and 2018 set out in Note 33.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 19. TRADE RECEIVABLES/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

### Prepayments, deposits and other receivables

	2019 RMB'000	2018 RMB'000
Current:		
Other receivables, deposits and prepayments ( <i>Note (ii)</i> )	<b>6,490</b>	6,217
Amount due from a former subsidiary	<b>105</b>	105
Prepayments for agency fees for printed media and outdoor and digital advertising	<b>9,165</b>	2,647
Prepayment for consultancy fee for film and entertainment business	<b>1,789</b>	1,757
Refundable deposits	<b>3,016</b>	8,316
Refundable deposits for termination of film investments ( <i>Note (i), (ii) and (iii)</i> )	<b>3,263</b>	32,806
	<b>23,828</b>	51,848
Non-current:		
Other deposits and prepayments	<b>2,412</b>	1,775
Refundable deposits	–	845
	<b>2,412</b>	2,620
	<b>26,240</b>	54,468

#### Notes:

- (i) Amount represents refundable deposit to be received from a co-investor upon the termination of one film investments on 31 December 2019 (2018: two) and receivables from co-investors for joint investments of movies.
- (ii) Movement in allowance for ECL that has been recognised for deposits and other receivables under ECL model of IFRS 9 for the year ended 31 December 2019 and 2018 was detailed in note 33.
- (iii) The carrying amount was net of impairment loss of approximately RMB26,278,000 recognised based on the impairment assessment performed by the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 20. FILM RIGHTS/PREPAYMENT FOR FILM AND ENTERTAINMENT BUSINESS

### Film rights

	2019 RMB'000	2018 RMB'000
COST		
At the beginning of the year	112,442	84,324
Additions	15,825	29,862
Recognised as an expense included in cost of sales	(17,123)	(7,884)
Provision for film rights ( <i>Note</i> )	(19,888)	–
Effect of foreign currency exchange difference	1,756	6,140
<b>At the end of the year</b>	<b>93,012</b>	<b>112,442</b>

*Note:* The provision for film rights was mainly due to an entertainment show which cannot obtain the broadcasting permit in the PRC.

As at 31 December 2019 and 2018, management of the Group considered the expected future income of the film rights can recover the film costs.

### Prepayment for film and entertainment business

	2019 RMB'000	2018 RMB'000
Current	110,513	96,967
Non-current	78,352	97,222
	<b>188,865</b>	<b>194,189</b>

Amount represents prepayment for profit sharing rights in films and concerts. The amount for the relevant films or concerts that are expected to broadcast or take place after twelve months from the end of the reporting period is classified as non-current assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 21. PLEDGED BANK DEPOSITS/RESTRICTED CASH/CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash and bank balances and restricted cash are denominated in foreign currencies of respective group entities:		
United States dollars ("US\$")	2,347	4,225
Hong Kong dollars ("HKD")	34	34
Japanese Yen ("JPY")	202	553
Euro ("EUR")	690	776

The cash and bank balances and bank deposits of RMB6,492,000 (2018: RMB379,000), denominated in RMB, are not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Pledged bank deposits carry interest at prevailing market rates which range from 1.65%-2.40% (2018: 0.06%-2.05%) per annum and represent deposits pledged to a bank to secure short-term banking facility granted to the Group.

As at 31 December 2019, cash balances of RMB86,153,000 (2018: RMB47,020,000) has been received from and restricted for the use by prepaid card customers. The Group has recognised the corresponding liabilities to respective external clients as restricted cash received from prepaid card holders of RMB67,467,000 (2018: RMB46,513,000 (note 22)). However, the Group does not have a currently enforceable right to offset those payables with the restricted cash.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 22. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

### Trade payables

The normal credit period on trade payables is generally ranged from 30 days to 180 days.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Within 90 days	15,800	7,681
91 – 180 days	128	100
Over 180 days	6,162	7,638
	<b>22,090</b>	15,419

### Other payables and accruals

	2019 RMB'000	2018 RMB'000
Other payables ( <i>Note</i> )	67,467	46,513
Accrued salaries and staff welfare	559	488
Other accruals	38,829	26,388
Other tax payable	2,277	2,248
	<b>109,132</b>	75,637

*Note:* Other payables amounting RMB67,467,000 (2018: RMB46,513,000) was related to restricted cash received from prepaid card holders and held for who in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

## 23. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Receipts in advance	8,311	737

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 23. CONTRACT LIABILITIES (continued)

	Year ended 31 December 2019			Total RMB'000
	Printed media advertising RMB'000	Outdoor and digital advertising RMB'000	Film and entertainment investment RMB'000	
Balance at 1 January	247	385	105	737
Decrease in contract liability as a result of recognising revenues during the year that was included in the contract liabilities at the beginning of the year	(247)	(385)	–	(632)
Increase in contract liabilities excluding amounts recognised as revenue during the year	259	7,945	–	8,204
Effect of foreign currency exchange difference	–	–	2	2
	<b>259</b>	<b>7,945</b>	<b>107</b>	<b>8,311</b>

	Year ended 31 December 2018			Total RMB'000
	Printed media advertising RMB'000	Outdoor and digital advertising RMB'000	Film and entertainment investment RMB'000	
Balance at 1 January	1,823	769	21,370	23,962
Decrease in contract liability as a result of recognising revenues during the year that was included in the contract liabilities at the beginning of the year	(1,823)	(769)	(21,512)	(24,104)
Increase in contract liabilities excluding amounts recognised as revenue during the year	247	385	–	632
Effect of foreign currency exchange difference	–	–	247	247
	<b>247</b>	<b>385</b>	<b>105</b>	<b>737</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 24. LEASE LIABILITIES

At 31 December 2019, the Group had lease liabilities repayable as follows:

	2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	1,510	1,578
After 1 year but within 2 years	387	391
	1,897	1,969
Less: total future interest expenses		(72)
Present value of lease liabilities		1,897
Less: Amount due for settlement within 12 months (shown under current liabilities)		(1,510)
Amount due for settlement after 12 months (shown under non-current liabilities)		387

The Group has initially applied IFRS 16 using the modified retrospective approach. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to IFRS 16 are set out in note 2.

## 25. SHARE CAPITAL

	Number of shares	Share capital US\$'000	Shown in the consolidated financial statements as
			RMB'000
Ordinary shares of US\$0.001 each			
Authorised:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	40,000,000,000	40,000	N/A
Issued and fully paid:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	5,760,000,000	5,760	36,721

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 26. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The share option scheme was adopted by the Company pursuant to a resolution in writing passed by the then shareholders of the Company on 17 December 2010 (the "Share Option Scheme").

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the directors and other selected participants for their contributions to the Group.

The participants of the Share Option Scheme include (i) any employee of the Company, any of the subsidiaries or any entity (the "Invested Entity") in which any member of the Group holds an equity interest; (ii) any non-executive directors of the Company, any of the subsidiaries of the Company or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any advertising customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser or consultant to any area of business or business development of any member of the Group or any Invested Entity; (viii) any other group or class of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

The maximum number of the shares that may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the number of shares in issue on the Listing Date (the "General Scheme Limit") i.e., on 28 February 2011. The Company may seek approval of the shareholders in a general meeting to refresh the General Scheme Limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the number of shares in issue as at the date of approval of the limit.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in a general meeting of the Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be further granted must be fixed before the approval of the shareholders and the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note to Rule 23.03(9) of the GEM Listing Rules.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 26. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence from the date of offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

Unless otherwise determined by the directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The exercise price for the shares under the Share Option Scheme shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of offer for the grant, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer for the grant; and (iii) the nominal value of a share.

On 18 May 2017, the Annual General Meeting approval be and is hereby granted for refreshing the 10% mandate under the Share Option Scheme ("Refreshed Scheme Mandate") provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (or its subsidiaries) under the limit as refreshed hereby shall not exceed 10% of the total number of issued shares of the Company as at the date on which this resolution is passed (options previously granted under the Share Option Scheme and any other share option schemes of the Company (or its subsidiaries) (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company (or its subsidiaries)) shall not be counted for the purpose of calculating the refreshed scheme mandate);

During the year ended 31 December 2019, aggregate share options of 576,000,000 were granted to certain eligible participants and directors on 5 July 2019. The share options granted were vested immediately. The validity period of the share options shall not be more than 2 years from the date of grant.

The fair values of the options granted on 5 July 2019 determined using the Binomial Model is RMB4,610,000.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in the consolidated statement of profit or loss, with a corresponding adjustment to the share option reserve.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 26. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

Details of the movements of the share options granted by the Company pursuant to the Share Option Scheme from the date of grant are as below:

Category	Date of grant (Note i)	Exercise price per share HK\$	Number of share options					
			Outstanding at 1 January 2018	Lapsed during the year	Outstanding at 31 December 2018	Granted during the year	Lapsed during the year	Outstanding at 31 December 2019
Consultants	23.12.2016	0.1152	60,000,000	(60,000,000)	-	-	-	-
Consultants	11.08.2017	0.0242	576,000,000	-	576,000,000	-	(576,000,000)	-
Eligible participants	05.07.2019	0.029	-	-	-	460,800,000	-	460,800,000
Directors	05.07.2019	0.029	-	-	-	115,200,000	-	115,200,000
<b>Total</b>			<b>636,000,000</b>	<b>(60,000,000)</b>	<b>576,000,000</b>	<b>576,000,000</b>	<b>(576,000,000)</b>	<b>576,000,000</b>
Exercisable at 31 December 2019			636,000,000	(60,000,000)	576,000,000	576,000,000	(576,000,000)	576,000,000

Notes:

- (i) The period within which the share options must be exercised shall not be more than 2 years from the date of grant.
- (ii) The Group recognised the total expense of RMB4,610,000 for the year ended 31 December 2019 in relation to the share options granted to the directors and consultants of the Company. All the share options were vested during the year ended 31 December 2019.
- (iii) During the year ended 31 December 2019, no share option was cancelled or exercised. A total of 576,000,000 share options were lapsed.

The fair value of share options were calculated using the Binomial Model. The inputs into the model were as follows:

	2019
Grant date share price	HK\$0.028
Exercise price	HK\$0.029
Expected volatility	76.63%
Expected life	2 years
Risk-free rate	1.64%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 27. RETIREMENT BENEFIT SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and the employees shall make contributions based on a percentage of the employee's basic salary with a cap of HK\$1,500 per month and recognised in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the plan are held separately from those of the Group in funds under the control of trustees.

The PRC employees of the Group are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute 20%-22% (2018: 20%-22%) of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 December 2019, the Group made total contributions to the retirement benefits schemes of RMB728,000 (2018: RMB1,072,000).

## 28. OPERATING LEASE COMMITMENTS

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented properties which fall due as follows:

	2018 RMB'000
Within one year	2,368
In the second to fifth year inclusive	2,112
	4,480

Leases are negotiated for terms of one to two years.

## 29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Agency fees for printed media and outdoor and digital advertising	–	12,000
Production costs for film and entertainment investment	–	17,037
	–	29,037

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 30. BUSINESS COMBINATION

On 2 January 2019, the Company entered into an agreement with independent third parties to acquire 100% of the entire issued share capital of 北京泛沛文化傳播有限公司 for a total contracted consideration of RMB1,000,000. The acquisition was completed on 2 January 2019.

	<b>Fair values of acquiree's identifiable assets and liabilities RMB'000</b>
<b>Net Assets acquired</b>	
Property, plant and equipment	59
Prepayments, deposits and other receivables	1,245
Cash and bank balances	74
Accrual, other payables and deposits received	(289)
Total identifiable net assets at fair value	1,089
Gain on bargain purchase	(89)
	<b>1,000</b>
<b>Net cash outflow arising on acquisition:</b>	
Cash paid for acquisition	(1,000)
Cash and bank balances acquired	74
	<b>(926)</b>

北京泛沛文化傳播有限公司 was acquired so as to expand the Group's existing Advertising business.

Included in the Group's loss for the year of approximately RMB187,000 and turnover for the year of approximately RMB27,082,000 attributable to the acquired business generated by 北京泛沛文化傳播有限公司.

Had the acquisition been completed on 1 January 2019, revenue for the year of the Group would have been approximately RMB79,568,000 and loss for the year of the Group would have been approximately RMB88,480,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 31. DISPOSAL OF A SUBSIDIARY

On 2 April 2019, the Group entered into a sale and purchase agreement to disposal of its 100% equity interest in Beijing Oi Ai Culture Development Co., Ltd to an independent third party (the "Purchaser") for cash consideration of RMB Nil. The disposal was completed on 15 April 2019.

Summary of the effects of the disposal is as follows:

### Consideration:

	RMB'000
Total consideration	Nil

### Analysis of assets and liabilities over which control was lost

	RMB'000
<b>Current assets</b>	
Other receivables	40
Cash and cash equivalents	9
<b>Current liabilities</b>	
Other payables	(10)
Net assets disposed	39
Release of non-controlling interests ("NCI") upon disposal	1,188
	1,227

### Loss on disposal of a subsidiary

	RMB'000
Consideration received	–
Net assets disposed	(39)
Release of NCI upon disposal	(1,188)
Loss on disposal	(1,227)

### Net cash outflow from disposal of a subsidiary

	RMB'000
Consideration received in cash and bank balance	–
Less: cash and bank balance disposed of	(9)
	(9)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and risk associated with the capital. The Group will balance its overall capital structure through new share issues or the dividend payment to shareholders.

The Group's overall strategy remains unchanged for both years.

## 33. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2019 RMB'000	2018 RMB'000
<b>Financial assets</b>		
Financial assets at amortised costs (including cash and cash equivalents)	<b>196,335</b>	184,315
Financial assets at fair value through profit or loss	<b>2,348</b>	4,022
<b>Financial liabilities</b>		
Amortised cost	<b>71,686</b>	42,295

### Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, refundable deposits and other receivables, pledged bank deposits, cash and cash equivalents, trade payables, other payables and accruals, contract liabilities and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 33. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Market risk

##### Currency risk

The Group collects most of its revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB, while the Group still has certain foreign currency denominated monetary assets, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at end of the reporting period, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currencies other than functional currencies of the respective group entities are as follows:

	RMB		US\$		HK\$		JPY		EUR	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Restricted cash	33	22	2,258	4,075	-	-	202	553	690	776
Cash and cash equivalents	-	-	89	150	34	34	-	-	-	-

#### Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in the functional currency of the respective group entities against relevant foreign currencies and all other variables were held constant. 5% (2018: 5%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2018: 5%) change in foreign currency rates. The negative numbers below indicate decrease in post-tax loss for the year ended 31 December 2019 where the functional currency of the respective group entities strengthens 5% (2018: 5%) against the relevant foreign currencies. For a 5% (2018: 5%) weakening of the functional currency of the respective group entities against the relevant foreign currencies, there would be an equal and opposite impact on the result for the year.

	RMB		US\$		HK\$	
	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	(1)	(1)	(3)	(6)	(1)	(1)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 33. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Market risk (continued)

##### *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to pledged bank deposits, short-term bank deposits and cash and cash equivalents. The Group currently does not have interest rate hedging policy. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

The management considers that the Group's exposure to cash flow interest rate risk on variable-rate pledged bank deposits, restricted cash and cash and cash equivalents as a result of the change of market interest rate is insignificant due to its short-term maturity and thus no sensitivity analysis is prepared for interest rate risk.

##### *Price Risk*

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted on the Stock Exchange. In addition, the Group has delegated the chief financial officer of the Group to monitor the price risk and will consider hedging the risk exposure should the need arise.

##### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is set as 10% as a result of the volatile financial market.

If the prices of the respective equity instruments had been 10% higher/lower, the loss for the year ended 31 December 2019 would decrease/increase by RMB235,000 (2018: RMB402,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 33. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables, pledged bank deposits, restricted cash and cash and cash equivalents.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risks with exposure limited to certain customers. Trade receivables (after impairment) from the five largest debtors at 31 December 2019 represented 88% (2018: 95%) of the total trade receivables. The management closely monitors the subsequent settlement of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2019	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Expected credit loss rate	0.5%	4.9%	27.3%	51.1%	36%
Gross carrying amount (RMB'000)	25,868	5,101	10,217	77,118	118,304
Lifetime ECL	(129)	(248)	(2,788)	(39,372)	(42,537)
	25,739	4,853	7,429	37,746	75,767

As at 31 December 2018	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Expected credit loss rate	0.4%	1.4%	13.4%	50.3%	31.5%
Gross carrying amount (RMB'000)	30,268	4,337	559	57,433	92,597
Lifetime ECL	(128)	(61)	(75)	(28,872)	(29,136)
	30,140	4,276	484	28,561	63,461

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 33. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Credit risk (continued)

As at 31 December 2019 and 2018, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

#### Refundable Deposits and other receivables

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables and other deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The movement of loss allowances for refundable deposits and other receivables during the year are as follows:

	Other receivables RMB'000	Refundable deposits RMB'000
At 1 January 2018	272	5,200
Allowance for expected credit losses	–	270
Balance as at 31 December 2018	272	5,470
Allowance for expected credit losses	802	26,278
Reversal of allowance for expected credit losses	(79)	–
Balance as at 31 December 2019	995	31,748

The directors of the Company believe that there are significant increase in credit risk of refundable deposit since initial recognition and the Group has no realistic prospect of recovery.

#### Pledged bank deposits/Restricted cash/cash and cash equivalents

The credit risk on pledged bank deposits, restricted cash and cash and cash equivalents are limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no other significant concentration of credit risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 33. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internal fundings as a significant source of liquidity.

The directors consider that liquidity risk is limited after considering the future cash flows of the Group in the foreseeable future the short-term liabilities are required to be repaid within three months from the end of the reporting period. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### Fair value measurements of financial instruments

#### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

<b>Financial assets</b>	<b>Fair value as at 31 December 2019</b>	<b>Fair value hierarchy</b>	<b>Valuation technique and key inputs</b>
Financial assets at fair value through profit or loss – listed securities	RMB2,348,000 (2018: RMB4,022,000)	Level 1	Quoted share prices in an active market.

There is no transfer between different levels of the fair value hierarchy for the year ended 31 December 2019.

#### Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of the Group's financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2019, the equity-settled share-based payment were approximately RMB4,610,000.

During the year ended 31 December 2019, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately RMB3,126,000 and RMB3,126,000, respectively, in respect of leases arrangements for office premises.

## 35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	<b>Lease liabilities RMB'000 (note 24)</b>
At 1 January 2019	–
Accrued interest	110
Interest paid	(110)
Additions to lease liabilities	3,126
Financing cash outflows	(1,229)
At 31 December 2019	<b>1,897</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 36. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material related party transactions during the year:

### Related party transactions

	2019 RMB'000	2018 RMB'000
Advertising agency fee paid by a related party on behalf of the Group	2,504	590

The above transactions are charged at a pre-determined rate mutually agreed by the parties. The directors are of the opinion that these related party transactions were conducted in the ordinary course of business.

### Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid/payable to the Company's directors and certain of the highest paid employees as disclosed in note 11, is as follows:

	2019 RMB'000	2018 RMB'000
Short term employee benefits	2,179	2,893
Post-employment benefits	64	61
Share-based payment expenses	922	–
	<b>3,165</b>	2,954

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			2019	2018	
<b>Directly owned</b>					
香港奧神投資有限公司 Hong Kong Ao Shen	Hong Kong	HK\$100	100%	100%	Provision of management services
三七三金融集團有限公司 373 Finance Group Limited (formerly known as 香港奧神製作 有限公司 Hong Kong Ao Shen Production Limited)	British Virgin Islands	US\$100	100%	100%	Investment holding
Level Up Holdings Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
<b>Indirectly owned</b>					
三三金融服務有限公司 33 Financial Services Limited	Hong Kong	HK\$112,000,000	100%	100%	Prepaid card business
三三服務有限公司 33 Services Limited (formerly known as 三三信貸服務有限公司 33 Credit Services Limited)	Hong Kong	HK\$10,000	100%	100%	Film and entertainment investment
Motion Arts Entertainment Limited	Hong Kong	HK\$2,000,000	80%	80%	Film and entertainment investment
奧神技術服務(福州)有限公司 <sup>1</sup> Ao Shen Technology	PRC	US\$15,000,000	100%	100%	Provision of consulting services
福建省奧神傳媒廣告有限責任公司 <sup>2,3</sup> Fujian Ao Shen	PRC	RMB31,630,000	–	–	Provision of advertising services
北京大提速傳媒廣告有限公司 <sup>2,3</sup> Beijing Datusu	PRC	RMB27,000,000	–	–	Provision of advertising services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			2019	2018	
福州海都商旅傳媒有限公司 <sup>2,3</sup> Fuzhou Haidu Commercial Travel Media Co., Ltd. ("Fuzhou Haidu")	PRC	RMB1,000,000	-	-	Provision of advertising services
北京中視大業廣告傳媒有限公司 Beijing Zhong Shi Da Ye Advertising Media Co., Ltd. ("Beijing Zhong Shi")	PRC	RMB5,000,000	-	-	Provision of advertising services
北京奧神傳媒廣告有限公司 <sup>3</sup> Beijing Aoshen Media Advertising Co., Ltd. ("Beijing Aoshen")	PRC	RMB20,000,000	100%	100%	Provision of advertising services
上海山山傳媒廣告有限公司 <sup>3</sup> Shanghai Shanshan Media Advertising Co., Ltd.	PRC	RMB2,000,000	100%	100%	Provision of advertising services
廣州奧神廣告有限公司 <sup>3</sup> Guangzhou Aoshen Advertising Co., Ltd.	PRC	RMB2,000,000	100%	100%	Provision of advertising services
濟南奧神廣告傳媒有限公司 <sup>3</sup> Jinan Aoshen Advertising Media Co., Ltd.	PRC	RMB2,010,000	100%	100%	Provision of advertising services
瀋陽奧神傳媒廣告有限公司 <sup>3</sup> Shenyang Aoshen Media Advertising Co., Ltd.	PRC	RMB2,000,000	85%	85%	Provision of advertising services
北京泛沛文化傳播有限公司 <sup>2,3</sup> Beijing FanPei Culture Media Co., Ltd ("Beijing FanPei")	PRC	RMB1,000,000	-	-	Provision of advertising services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Notes:

- 1 The entity is registered as a wholly-foreign-owned enterprise under PRC law.
- 2 The Group does not have any equity interest in the registered capital of the Contracting Entities as they are established and owned as to 50% and 50% by Mr. Lin and Mr. Ruan. Pursuant to the Contractual Arrangements as disclosed in note 4, the registered shareholders of the Contracting Entities agreed to assign all the shareholders' rights of the Contracting Entities and to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of the Contracting Entities to the Group. The directors of the Company consider that such agreements give the Group the current ability to direct the relevant activities of the Contracting Entities. In the opinion of the directors of the Company, all the terms of these agreements are valid, binding and legally enforceable on all parties under the applicable laws in the PRC. With the power over the Contracting Entities and the ability to use the power over the Contracting Entities to affect the amount of the Group's return, the Group treats the Contracting Entities as wholly-owned subsidiaries of the Company under IFRS 10 and the Contracting Entities' results, assets and liabilities are consolidated with those of the Group.

Fujian Ao Shen holds 70% equity interests of Fuzhou Haidu and Beijing Datusu holds 60% equity interests of Beijing Zhong Shi for 2019 and 2018. On 2 January 2019, Beijing Datusu acquire 100% of the entire issued share capital of Beijing FanPei. Pursuant to the respective Memorandum and Articles of Association of Fuzhou Haidu, the daily operating and financial affairs are decided by board of directors with simple majority of votes. Fujian Ao Shen controls two-thirds of the voting powers in the board of directors of Fuzhou Haidu which give the Group the current ability to direct the relevant activities of these entities. Pursuant to the Memorandum and Articles of Association of Beijing Zhong Shi, the daily operating and financial affairs are decided by board of directors with two-thirds of votes. Beijing Datusu controls 100% of the voting powers in the board of directors of Beijing Zhong Shi which give the Group the current ability to direct the relevant activities of this entity. Accordingly, Fuzhou Haidu, Beijing Zhong Shi and Beijing FanPei are treated as subsidiaries of the Company under IFRS 10 and their results, assets and liabilities are consolidated with those of the Group.
- 3 These entities are registered as limited liability companies under the applicable PRC's laws.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

In the opinion of the directors, there is no subsidiarity that have non-controlling interests individually that are material of the Group and therefore no information is disclosed for these non-wholly owned subsidiaries.

None of the subsidiaries had any debt securities outstanding at the end of the year or any time during the year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 38. FINANCIAL INFORMATION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
<b>Non-current assets</b>		
Investments in subsidiaries	64,569	63,397
Amounts due from subsidiaries ( <i>Note (i)</i> )	120,434	285,733
	<b>185,003</b>	349,130
<b>Current assets</b>		
Prepayment, deposits and other receivables	8,404	8,237
Amount due from a former subsidiary ( <i>Note (ii)</i> )	105	105
Amounts due from subsidiaries ( <i>Note (iv)</i> )	141,365	145,400
Cash and cash equivalents	5,289	1,138
	<b>155,163</b>	154,880
<b>Current liabilities</b>		
Accruals	3,148	2,175
Amounts due to subsidiaries ( <i>Note (iii)</i> )	7,612	7,474
	<b>10,760</b>	9,649
Net current assets	<b>144,403</b>	145,231
Total assets less total liabilities	<b>329,406</b>	494,361
<b>Capital and reserves</b>		
Share capital	36,721	36,721
Reserves ( <i>Note (v)</i> )	292,685	457,640
	<b>329,406</b>	494,361

The financial statements were approved and authorised for issue by the board of directors on 14 May 2020 and signed on its behalf by:

**Ruan Deqing**  
DIRECTOR

**Ma Pun Fui**  
DIRECTOR

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 38. FINANCIAL INFORMATION OF THE COMPANY (continued)

Notes:

- (i) Amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. At 31 December 2019, principal amount of RMB322,840,000 (2018: RMB316,981,000) is expected to be repaid after 2 years. Accordingly, the balance is classified as non-current. The fair value of the amounts due from subsidiaries are determined based on the effective interest rate of 5% (2018: 5%) per annum on initial recognition. The difference between the principal amount and the fair value determined on initial recognition of RMB62,245,000 (2018: RMB62,245,000) is debited to investments in subsidiaries. As 31 December 2019, amount of RMB120,434,000 (2018: RMB285,733,000) represents balance with interest charged at 5% (2018: 5%) per annum.
- (ii) Amount due from a former subsidiary is unsecured, non-interest bearing and repayable within one year.
- (iii) Amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.
- (iv) Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.
- (v) Reserves of the Company

	Share premium RMB'000	Share redemption reserve RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	626,521	19	7,288	(12,297)	(203,957)	417,574
Profit for the year	-	-	-	-	15,616	15,616
Exchange differences on translation	-	-	-	24,450	-	24,450
Total comprehensive income for the year	-	-	-	24,450	15,616	40,066
Recognition of equity-settled share-based payments	-	-	(2,481)	-	2,481	-
At 31 December 2018	626,521	19	4,807	12,153	(185,860)	457,640
Loss for the year	-	-	-	-	(176,004)	(176,004)
Exchange differences on translation	-	-	-	6,439	-	6,439
Total comprehensive income/(loss) for the year	-	-	-	6,439	(176,004)	(169,565)
Transfer of share option reserve upon the lapse of share options	-	-	(4,807)	-	4,807	-
Recognition of equity-settled share-based payments (Note 26)	-	-	4,610	-	-	4,610
<b>At 31 December 2019</b>	<b>626,521</b>	<b>19</b>	<b>4,610</b>	<b>18,592</b>	<b>(357,057)</b>	<b>292,685</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 39. EVENTS AFTER THE REPORTING PERIOD

- (a): Since January 2020, the outbreak on Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these financial statements, the financial performance of the Group may be affected by the COVID-19, especially in the film and entertainment segment and prepaid card business. Pending the development and spread of COVID-19 subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.
- (b): On 24 April 2020, the Company proposes to implement the share consolidation by consolidating every ten (10) issued and unissued shares of US\$0.001 each in the share capital of the Company into one (1) consolidated share of US\$0.01 each. The extraordinary general meeting is expected to be held on 8 June 2020. For details, please refer to the Company's announcement dated 24 April 2020.

## 40. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 14 May 2020.

## FIVE YEARS FINANCIAL SUMMARY

### RESULTS

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	<b>79,568</b>	68,639	107,546	57,494	92,209
Loss before taxation	<b>(88,424)</b>	(32,040)	(38,048)	(60,525)	(44,444)
Taxation	<b>(56)</b>	(43)	(133)	(151)	(808)
Loss for the year	<b>(88,480)</b>	(32,083)	(38,181)	(60,676)	(45,252)
Attributable to:					
Owners of the Company	<b>(78,780)</b>	(28,867)	(36,034)	(59,583)	(45,182)
Non-controlling interests	<b>(9,700)</b>	(3,216)	(2,147)	(1,093)	(70)
	<b>(88,480)</b>	(32,083)	(38,181)	(60,676)	(45,252)

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	<b>504,400</b>	523,737	521,129	555,343	586,406
Total liabilities	<b>(141,689)</b>	(91,996)	(70,841)	(38,672)	(43,462)
Non-controlling interests	<b>16,687</b>	8,175	4,666	2,519	(5,647)
Equity attributable to owners of the Company	<b>379,398</b>	439,916	454,954	519,190	537,297

The summary above does not form part of the audited consolidated financial statements.