星宏传媒
STARRISE MEDIA

(incorporated in the Cayman Islands with limited liability)

Stock code: 1616

INTERIM REPORT 2018

CONTENTS

SUMMARY

For the six months ended 30 June 2018 (the "**Period Under Review**"):

- Revenue was approximately RMB413.9 million, representing an increase of approximately 57.6% as compared to that of RMB262.7 million for the corresponding period of last year.

- Gross profit was approximately RMB62.7 million, decreased by approximately RMB7.8 million, or approximately 11.1% as compared with the corresponding period of last year.

- Gross profit margin was approximately 15.1%, representing a decrease of approximately 11.7 percentage points as compared to that of approximately 26.8% for the corresponding period of last year.

- Loss attributable to the equity shareholders of the Company was approximately RMB92.7 million, representing a decrease in profit attributable to shareholders of the Company of approximately RMB122.7 million as compared to the profit attributable to the equity shareholders of the Company of approximately RMB30.0 million for the corresponding period of last year.

CORPORATE INFORMATION

THE BOARD OF DIRECTORS

Executive Directors

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Liangliang
Mr. LAM Kai Yeung
Ms. LIU Chen Hong
(appointed on 18 April 2018)
Mr. GAO Gordon Xia
(resigned on 18 April 2018)

COMPANY SECRETARY

Ms. CHAN Yin Wah, FCS, FCIS, FCCA

AUTHORISED REPRESENTATIVES

Mr. LIU Dong
Ms. CHAN Yin Wah

AUDIT COMMITTEE

Mr. LAM Kai Yeung *(Chairman)*
Mr. WANG Liangliang
Ms. LIU Chen Hong
(appointed on 18 April 2018)
Mr. GAO Gordon Xia *(resigned on 18 April 2018)*

REMUNERATION COMMITTEE

Mr. WANG Liangliang *(Chairman)*
Mr. LIU Dong
Ms. LIU Chen Hong
(appointed on 18 April 2018)
Mr. GAO Gordon Xia *(resigned on 18 April 2018)*

NOMINATION COMMITTEE

Ms. LIU Chen Hong *(Chairman)*
(appointed on 18 April 2018)
Mr. WANG Liangliang
Mr. LIU Dong
Mr. GAO Gordon Xia *(resigned on 18 April 2018)*

REGISTERED OFFICE

P.O. Box 309, Ugland House,
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HEAD OFFICE, HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Chaoyang District, Beijing
The PRC

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AUDITOR

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Certified Public Accountants
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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The PRC

STOCK CODE

1616

COMPANY'S WEBSITE ADDRESS

www.starrise.cn

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

For the first half of 2018, the core objective of China's macro economy is still the continuation of the deepening of supply-side reform, pursue high-quality economic development, and to seek new economic growth points while gradually implementing its de-leveraging programme. Along with the rapid growth of national economy as well as the rise of the people's living standard and consumption capacity, the Thought on Socialism with Chinese Characteristics for a New Era has changed from solely taking economic development as the central task to the well-rounded development of politics, economy, culture, society and ecology. The key of structural reform lies on "three tough battles" in respect of preventing and dissolving the significant risks, targeted poverty alleviation and pollution prevention. By leveraging on the wave of continuous transformation, the upgrading of China's economy and the positive monetary conditions created by prudent monetary policy for the first half year of 2018, together with the effect of structural reform of supply-side which gradually appeared, China's macro economy has been running smoothly. According to Wind Statistics in the first half of 2018, China recorded a corresponding increase of approximately 6.8% in gross domestic product to approximately RMB41.9 trillion, a corresponding increase of approximately 7.9% in gross import-export value to RMB14.1 trillion and a corresponding increase of approximately 4.9% in total exports to RMB7.5 trillion. In general, in the first half of 2018, the price level was stable and the overall employment situation was improving, which represented a trend of steady progressing in economy. However, while the economy was running smoothly, the problem of strong supply against weak demand remains unsolved, which may have certain impact on the economic development in the second half of the year.

Driven by the deepening supply-side reform, the policy regulation and market competition in the film and television media industry, in the first half of 2018, the overcapacity elimination of television dramas gradually became apparent, and the output and broadcasting volume of television dramas both declined. Meanwhile, under the influence of the Notice Concerning Relevant Policies on the Prosperous Development of Television Dramas (關於支持電視劇繁榮發展若干政策的通知) jointly issued by State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China and other four departments, and "recruiting scripts for realistic dramas" and other policies published by the China TV Artist Association, the year 2018 was deemed to be "a year going back to realism". The requirement of historical accuracy and the limitation on the broadcasting of historical imperial costume dramas have caused the absence of hot dramas since the beginning of 2018, resulting in unsatisfactory performance in the overall drama market. Since 2018, the regulation on the content of film and television dramas has become more stringent, as such, television stations, video platforms and producers are affected to varying degrees. At the same time, the audiences' requirement for content quality is also rising and this trend will continue. In terms of film, the number of cinemas and screens continue to grow with a strong momentum, with domestic films showing a bright performance, continuing the trend of content quality improvement which started in 2017. According to the statistics of entgroup.cn, as of 27 June 2018, there were 9,911 cinemas in China with 56,786 screens, including 721 new cinemas and 4,648 new screens in the first half of 2018. The growth in the number of cinemas and screens will support the development of the film market. In addition, data from the National Film Bureau showed that the total box office of Chinese films in the first half of 2018 reached RMB32.0 billion, representing a year-on-year increase of 17.8% as compared with RMB27.2 billion in the same period last year, of which domestic film box office accounted for about 60%. This shows that the Chinese film market still has a lot of room for development.

In contrast, the textile industry has adhered to the deepened supply-side reform, and the pace of industrial transformation and capacity transfer has been significantly accelerated. The operation of the industry is basically stable.

According to the data from the National Bureau of Statistics and China Customs, in the period from January to May 2018, turnover of garments, shoes, hats and knitted textile attributable to the "over-the-threshold" enterprises recorded a year-on-year growth of 9.1%, and total exports of textile and apparel recorded a year-on-year increase of 3.3% to approximately US$102.2 billion, among which textile yarns, fabrics and products exports increased by 10.7% as compared with the same period of last year as the result of their improved export-competitiveness. However, value-added industrial output of textile enterprises above standard size recorded month-to-month decrease despite the corresponding increase of 3.1% from January to May 2018. Profits margin, inventory turnover, asset turnover, investment volume and other index that reflects operation quality and growth potential of an enterprise had no significant change as compared with the same period of last year and even recorded slight decline, reflecting that the operation quality of the industry as a whole did not have substantial improvement and growth prospects expectation of enterprises to industry is negative.

Another feature of the domestic textile industry in the first half of 2018 is that production capacity of eastern provinces such as Zhejiang, Jiangsu, Shangdong, Guangdong and Fujian generally recorded marked decline while capacity in western provinces such as Xinjiang, Ningxia and Gansu recorded marked increment, reflecting the accelerated pace of industrial transfer of textile industry. Taking into account the phenomenon that certain textile enterprises have completed relocation to Vietnam, Cambodia, Malaysia and other Southeast Asia regions, the above-said tendency is expected to be more apparent. This indicates that textile enterprises in eastern region have to make a choice between transformation and relocation as they are confronting increasing labour, land and environmental protection cost in east area.

BUSINESS REVIEW

For the six months ended 30 June 2018, Starrise Media Holdings Limited (the "**Company**") together with its subsidiaries (collectively, the "**Group**") continued its efforts to develop film and television business and has invested several movies and television dramas. Moreover, the Group is trying hard to improve the operating conditions of its textile business.

During the Period Under Review, the Group's loss before tax was approximately RMB85.8 million (the profit before tax was approximately RMB32.9 million for the corresponding period of last year). The decrease in profit is mainly due to the increase in loss from changes in fair value of derivatives embedded in convertible bonds, higher financial expenses and a decline in the Group's gross profit.

1. Media business

Since the Group has entered into the film and television industry in 2015 and up to the date hereof, the Group's film, television and media business has been growing steadily. Due to the tightening of market regulation and changes in policies, the number of films and television drama series of the Group released in the first half of 2018 were limited. Among these releases were "Us and Them"（後來的我們）, an urban emotional film; "Hello My Dog"（監獄犬計劃）, a comedy film; and The "Heavenly Emperor" 3 and 4 （御天神帝3、4）, a mythical fantasy internet drama, all of which are invested by Beijing Starrise Pictures Co., Ltd.（北京星宏影視文化有限公司）, a subsidiary of the Group; "New Myriad Twinkling Lights"（新萬家燈火）(formerly known as "March in River City"（江城三月）) and "Chengzhongtang"（誠忠堂）(formerly known as "Qiao's Grand Courtyard – The Road Ahead"（喬家大院之光明之路）), both of which are invested by Beijing Huasheng Taitong Media Investment Company Limited（北京華晟泰通傳媒投資有限公司）, a subsidiary of the Group. Among them, "Us and Them"（後來的我們）is the maiden work of Liu Ruoying as a director. It recorded more than RMB20 million at pre-sale box office on the first day, leading the PRC labour day holiday market. On the first day of release, it was played for more than 40,000 times. Moreover, it recorded over RMB400 million at box office within 30 hours after its release and over RMB1.3 billion by the 12th day of its release. It also ranked 1st at box office for 12 consecutive days according to Maoyan's movie box office statistics.

At the same time, "Once upon a Time" in the Northeast（東北往事）, a youth nostalgic film; "Horror Blockbuster"（恐不大片）, a horror film; "Here Comes Dashan"（大山來了）,a youth nostalgic film; "Mystic Kitchen"（如意廚房）1 and 2, an internet movie; and "Oh, My Honey!"（甜心軟糖）, an internet movie, are currently under post-production and expected to be released by the end of this year. "Legend of Taotie"（饕餮記）, an internet drama and the movie "Alien Monster: Survival in the Wild"（異星怪獸之荒野求生）are undergoing the filming process. The movie "In Broad Daylight"（光天化日）and the internet movie "Monster Hunters"（鎮魂歌）are expected to start shooting in the second half of this year. The films and internet movies mentioned above are all invested by Beijing Starrise Pictures Co., Ltd.（北京星宏影視文化有限公司）. "The Echoes of Xibaipo"（西柏坡的回聲）invested by Beijing Huasheng Taitong Media Investment Company Limited（北京華晟泰通傳媒投資有限公司）was already approved for broadcasting and pending appropriate broadcast schedule. "The Family in That City"（那座城，這家人）has finished shooting on 1 August 2018 and is expected to be released during the first half of next year. "Wudang Yijian"（武當一劍）has obtained the broadcast approval license but the actual broadcasting of the series was delayed due to the effects of the "costume drama limitation"（限古令）. "The New Big Head Son and The Little Head Father" (episode 1 to 100)（新大頭兒子和小頭爸爸1-100集）have finished its shooting and is currently under post-production stage. "Soulmate"（七月與安生）, an internet drama, "Lipstick Princess"（唯美貌不可辜負）, an internet drama, and "Master Kongfu"（霍元甲之一代宗師）, an internet movie invested by Beijing Starwise Culture Media Co., Ltd.（北京睿博星辰文化傳媒有限公司）, a subsidiary of the Group, has been initiated and is undergoing a tight shooting schedule.

2. Textile business

Under the current situation, the Group has implemented various measures to deal with the challenges faced by the PRC textile industry. However, the advent of global trade protectionism, growing competition from emerging textile markets such as India and Southeast Asia, etc., and rising costs such as human resources, energy, environmental protection and logistics costs, had created increasing internal and external pressure for the Group, forcing the Group to be more focused, concentrated and diligent in innovation, cost control and operation to release pressure and operate healthily.

In the first half of 2018, on one hand, based on the Group's overall judgment of the development trend of textile business, the Group continued to insist on self-innovation and joint innovation, increasing product added value, and reducing operating cost to give full play to differentiation positioning and the Group's own expertise and advantages. On the other hand, the Group optimized and intelligentized the existing capacity to further consolidate the core competitiveness of the Group.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the revenue, gross profit and gross profit margin of the Group's textile business and media business for the six months ended 30 June 2018 and 2017, respectively:

	For the six months ended 30 June					
	2018			2017		
	Revenue RMB'000	**Gross profit RMB'000**	**Gross profit margin %**	Revenue RMB'000 (Restated)	Gross profit RMB'000 (Restated)	Gross profit margin %
Textile business	**301,917**	**37,746**	**12.5%**	191,162	36,052	18.9%
Media business	**111,980**	**24,955**	**22.3%**	71,513	34,409	48.1%
Total	**413,897**	**62,701**	**15.1%**	262,675	70,461	26.8%

For the six months ended 30 June 2018, the gross profit margin of the Group decreased by 11.7 percentage points, from approximately 26.8% of the corresponding period of last year to approximately 15.1%.

Although the revenue of media and textile business increased during the Period Under Review, the increase in the costs of drama series and films and textile business was greater than the increase in revenue. The gross profit margin of the Group decreased by 11.7 percentage points comparing with the same period in 2017. The gross profit margin of the media business was approximately 22.3%, representing a decrease of approximately 25.8 percentage points from the corresponding period in 2017. The gross profit margin of the textile business was approximately 12.5% during the Period Under Review, which represented a decrease of approximately 6.4 percentage points as compared to the same period in 2017.

Distribution costs

For the six months ended 30 June 2018, distribution costs of the Group was approximately RMB14.6 million, increased by approximately RMB5.3 million from approximately RMB9.3 million for the corresponding period of last year. Such increase was generally in line with the growth of sales in the media business.

Administrative expenses

For the six months ended 30 June 2018, the administrative expenses of the Group were approximately RMB38.8 million, representing a decrease of approximately 5.1% when compared to that of approximately RMB40.9 million for the corresponding period of last year. The decrease was mainly due to the decrease in the relevant expense relating to convertible bonds of the Group during the Period Under Review.

Other net (losses)/gains

For the six months ended 30 June 2018, the total amount of other net losses of the Group was approximately RMB52.3 million, (other net gains was approximately RMB52.1 million for the corresponding period of last year). Such loss was mainly due to the losses on change in fair value recognized in profit or loss of RMB57.8 million in relation to the derivatives embedded in convertible bonds.

Net finance costs

During the Period Under Review, the Group recorded a net finance cost of approximately RMB42.9 million. For the six months ended 30 June 2018, the finance costs of the Group were approximately RMB58.7 million, representing an increase of approximately RMB16.8 million as compared to that of approximately RMB41.9 million of the corresponding period in 2017. Such increase was mainly due to the increase in interest expense of convertible bonds. The finance income of the Group was approximately RMB15.8 million, representing an increase of approximately RMB9.3 million when compared to that of approximately RMB6.5 million of the corresponding period of last year, which was mainly due to the increase in foreign exchange gains in 2018.

Taxation

For the six months ended 30 June 2018, taxation of the Group remained stable at approximately RMB6.0 million as compared to approximately RMB6.1 million of the corresponding period of last year.

Loss attributable to the equity shareholders of the Company

For the six months ended 30 June 2018, the loss attributable to the equity shareholders of the Company was approximately RMB92.7 million (the profit attributable to the equity shareholders of the Company was approximately RMB30.0 million in the corresponding period in 2017). This was mainly due to negative changes on fair value of derivatives embedded in the convertible bonds, increase in financial expenses as well as the decrease in the Group's gross profit.

Liquidity and financial resources

As at 30 June 2018, cash and cash equivalents of the Group were approximately RMB451.4 million, representing an increase of approximately 190.1% from approximately RMB155.6 million as at 31 December 2017. This was mainly due to the issuance of shares under the general mandate during the Period Under Review and the proceeds received from the sale of Swift Power Limited and its subsidiaries by the Company during last year.

As at 30 June 2018, cash and bank balances of the Group were mainly held in Renminbi, US dollars and HK dollars, of which, approximately RMB83.0 million (31 December 2017: approximately RMB35.4 million) or approximately 18.0% (31 December 2017: 22.8%) of the cash and bank were held in Renminbi.

For the six months ended 30 June 2018, the Group's net cash generated from operating activities was approximately RMB78.7 million, net cash generated from investing activities was approximately RMB68.3 million and net cash generated from financing activities was approximately RMB135.2 million. Cash and cash equivalents of the Group increased by approximately RMB282.2 million during the Period Under Review. The Board believes that the Group will be able to maintain a sound and stable financial position, and maintain sufficient liquidity and financial resources for its business need.

With respect to the payment terms of purchase or processing orders made by customers with long established business relationship, good settlement record and sound reputation, the Group may waive the deposit requirements or grant a credit period typically ranging from 30 to 180 days. The length of credit period depends on various factors such as financial strength, scale of the business and settlement record of those customers. For the six months ended 30 June 2018, the average trade receivables (including bills receivable) turnover days of the Group was approximately 58 days, decreased from 70 days for the corresponding period in the previous year. The decrease was mainly due to the shorter average payback period of the media business.

For the six months ended 30 June 2018, inventory turnover days of the Group decreased to 93 days from 105 days for the corresponding period in 2017. The decrease was mainly because of the growth of sales.

For the six months ended 30 June 2018, drama series and films turnover days of the Group decreased to 420 days from 597 days for the corresponding period in 2017. The decrease was mainly because of the expand sales of drama series and films.

As at 30 June 2018, the Group's loans were approximately RMB181.0 million (31 December 2017: approximately RMB191.2 million), which bore fixed interest at rates ranging from 4.4% to 5.2% per annum (31 December 2017: 4.4%). As at 30 June 2018, the Group did not have any loans with floating interest (31 December 2017: approximately RMB10.0 million with floating rates of 5.7%). The Group's liability component of the convertible bonds is approximately RMB240.6 million, with annual effective interest rate of 22.0% (31 December 2017: approximately RMB388.0 million, with annual effective interest rate of 19.0% and 22.0%). The bonds issued in 2018 bears a nominal interest rate at 6.0% per annum (31 December 2017: nil).

Capital structure

The Group continues to maintain an appropriate mix of equity and debt to ensure an optimal capital structure to reduce capital cost. As at 30 June 2018, the debts of the Group were mainly represented by bank loans, bonds, convertible bonds and obligation under finance leases with a total amount of approximately RMB704.3 million (31 December 2017: approximately RMB590.6 million). As at 30 June 2018, cash and cash equivalents were approximately RMB451.4 million (31 December 2017: approximately RMB155.6 million). As at 30 June 2018, the Group's gearing ratio was approximately 24.1% (31 December 2017: gearing ratio was approximately 42.7%). The gearing ratio was calculated by dividing total debt (i.e. interest-bearing bank loans, convertible bonds, obligations under finance lease and bonds, after deducting cash and cash equivalents) by total equity.

As at 30 June 2018, the Group's debts due within a year were approximately RMB493.8 million (31 December 2017: approximately RMB360.9 million).

Capital commitments

Save as disclosed in note 17 to the unaudited interim financial report, the Group did not have any other significant capital commitments as at 30 June 2018 (31 December 2017: Nil).

Employee and remuneration policy

As at 30 June 2018, the Group had a total of 1,721 employees (31 December 2017: 1,766; 30 June 2017: 2,522). The decrease in the number of employees as compared to that of the corresponding period in the previous year was mainly due to the sale of Swift Power Limited and its subsidiaries during last year.

For the six months ended 30 June 2018, staff costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB50.9 million (for the corresponding period of 2017: approximately RMB62.8 million). The decrease in staff costs was mainly due to the sale of Swift Power Limited and its subsidiaries during last year.

The Group continues to provide training to its staff to improve their operational skills. Meanwhile, the Group enhanced the work efficiency and the average income of the staff through position consolidation, process reorganization and improvement of working and living environment of the staff. The remuneration of the employees of the Group was determined with reference to their working performance, experience and the industry practices. The management of the Group will also periodically review the Group's remuneration policy. In addition, the Group would provide bonuses and incentives based on employees' performances to encourage and motivate them to strive for better performance. For the rest of 2018, the Group will continue to provide training to staff according to their respective skill requirements, such as training sessions on safety and technical skill.

Exposure to foreign exchange risk

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

Contingent liabilities

Save as disclosed in the notes to the financial statements, the Group did not have any contingent liabilities as at 30 June 2018.

Charges on assets

Except for the pledged bank deposits disclosed in the consolidated statement of financial position, the Group pledged its machinery and equipment with net book value of approximately RMB2.9 million (31 December 2017: approximately RMB6.4 million) as securities for bank borrowings as at 30 June 2018. In addition, the net book value of machinery and equipment held under finance lease as at 30 June 2018 is RMB4.4 million (31 December 2017: Nil).

Significant investments

As at 30 June 2018, the Group did not hold any significant investments in equity interest in any other company.

Future plans for material investments and capital assets

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

Material acquisitions and disposals of subsidiaries and associated companies

For the six months ended 30 June 2018, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

OUTLOOK

2018 is the first year of the implementation of the plans and requirements of the 19th CPC National Congress. As the 40th anniversary of the reform and opening-up of the PRC, it is also the key year for completing the building of a moderately well-off society in all respects and an important year for implementing the "13th Five Year plan". In the first half of 2018, the macro-economy in China has seen a steady and orderly development, however, the impact of the strong supply and weak demand on the growth of economy will be reflected gradually. Meanwhile, against the backdrop of the intensified trade war, there will be more uncertainties on the external environment for economic growth in the second half of 2018 and the annual economy may demonstrate the trend of "decline following stability". Therefore, the macro-economy policy for the second half of 2018 is expected to be one which proactively adapt to the pressures arised from the economic decline while stimulating the endogenous driving force of economy, with an aim to realize the long-term sustainable economic growth and high quality development.

1. Media Business

The 19th CPC National Congress proposed two important initiatives for real economy in 2018, being continuously advancing the structural reform of the supply-side and adjusting the structure of real economy, with an emphasis on the adjustment of pillar industries. Besides, as a spiritual service industry and being an essential component of the strategic pillar industry in the future, the film and television drama industry still has a tremendous room for development and great development potential. According to the statement of financial income and expense for the first half year of 2018 issued by the Ministry of Finance on 13 July 2018, driven by the generally active consumer market as well as the robust consumption upgrade and demand, the tax income arising from the PRC's culture, sports and entertainment industries recorded a year-on-year growth of 16%.

The development direction of the film and television media industry has become increasingly clearer due to implementation of various regulation policies. The Report on Television Industry in China (2018) edited by Capital Think Tank of Film and Television Media Development（首都影視發展智庫）notes that along with the combined effects of the issuance of policies, more stringent supervision, increasingly higher requirements on content by audiences and overcapacity of television dramas which resulted in the intensified competition over broadcasting resource, six major development trends of the film and television media industry will emerge in the second half of 2018: 1. the boundaries between Internet dramas and television dramas will be blurred further; 2. the polarization of top dramas and mid-end dramas will become more obvious; 3. the model of IP plus trending celebrity will be broken through; 4. self-made content by internet platforms will be a trend due to the increasing demand on high quality top drama by video terminals and the higher purchase cost of copyrights; 5. the amount of realistic dramas will be increased as the share of costume dramas and modern dramas decrease due to the "costume drama limitation"（限古令）policy; and 6. the box office of film industry will recover stably.

Based on the above analysis of the film and television media industry and taking into consideration of the Group's own development, the Group will further strengthen content control on its film and television drama and adjust the film and television drama arrangement plan according to the policy changes in the second half of 2018. On the one hand, in respond to the developments at the 19th CPC National Congress, the Group will focus on high quality and innovative development of the content, adhere to the people-centered creation, promote positive energy of the society, and proactively support hot spots of national strategies, demand of times and the themes. On the other hand, by grasping the opportunity of the rapid developments in Internet video platforms, the Group will enhance the production of and increase investment in premium drama which would be exclusively broadcasted on the Internet in compliance with requirements of national policies.

Television drama series schedule in 2018 under the media segment set out below:

No.	Title	Theme	Current Status
1	New Myriad Twinkling Lights（新萬家燈火）(formerly known as "March in River City"（江城三月）)	Modern urban drama	Broadcasted on March 2018
2	Us and Them（後來的我們）	Urban emotional film	Broadcasted on 28 April 2018
3	The Heavenly Emperor 3 and 4（御天神帝3、4）	Mythical fantasy internet drama	Broadcasted on 1 June 2018
4	Hello My Dog（監獄犬計劃）	Comedy film	Broadcasted on 21 June 2018
5	Chengzhongtang（誠忠堂）(formerly known as "Qiao's Grand Courtyard – The Road Ahead"（喬家大院之光明之路）)	Historical story drama	Broadcasted on 1 July 2018
6	The Echoes of Xibaipo（西柏坡的回聲）	Epic television drama based on revolution history	Submitted for screening
7	Once upon a Time in the Northeast（東北往事）	Youth nostalgic film	To be broadcasted in the second half of the year
8	Horror Blockbuster（恐不大片）	Horror film	To be broadcasted in the second half of the year
9	Here Comes Dashan（大山來了）	Youth nostalgic film	To be broadcasted in the second half of the year
10	Wudang Yijian（武當一劍）	Martial arts drama	Waiting for broadcast
11	Mystic Kitchen 1 and 2（如意廚房1&2）	Internet movie	Under post-production
12	Oh, My Honey!（甜心軟糖）	Internet movie	Under post-production
13	The New Big Head Son and The Little Head Father episode 1 to 100（新大頭兒子和小頭爸爸1-100集）	Situation comedy	Under post-production
14	The Family in That City（那座城，這家人）	Realistic drama	Under post-production
15	Soulmate（七月與安生）	Internet dramas	Shooting started and under filming

No.	Title	Theme	Current Status
16	Legend of Taotie (饕餮記)	Internet dramas	Shooting started and under filming
17	Alien Monster: Survival in the Wild (異星怪獸之荒野求生)	Theatrical film	Shooting started and under filming
18	Master Kongfu (霍元甲之一代宗師)	Internet movie	Shooting started and under filming
19	Lipstick Princess (唯美貌不可辜負)	Internet dramas	Shooting started and under filming
20	In Broad Daylight (光天化日)	Theatrical film	To be shot in the second half of the year
21	Monster Hunters (鎮魂歌)	Internet movie	To be shot in the second half of the year
22	Platina Data (白金數據)	Internet dramas	Preparing script
23	Bulletproof Teacher (穿越火線)	Internet dramas	Preparing script
24	How to Get Super Powers (淚奔吧無用超能力)	Movie	Preparing script

2. Textile Business

As mentioned above, although there have been signs of stabilization and turn-around in the economy, exports and operation of the textile industry in China since 2018, this trend is not as robust as expected, and there is still great uncertainty. Chinese enterprises still have to overcome many unfavorable factors, such as homogenization of competition, insufficient innovation, credit shortage, rising comprehensive costs including production factors and increasing environmental pressures. The outbreak and intensification of the China-US trade war is also adding more uncertainties to the outlook of China's economic development, especially for the textile industry which has a high dependence on the international market. It is therefore difficult to be optimistic about the future of this industry in the near term.

Fortunately, as an innovative and well-targeted textile company focusing on high-end jacquard fabrics and after years of development within textile business, the Group has formed an established mechanism and organizational system to respond to economic and industrial changes. The Group will closely monitor and actively respond to changes in the international and domestic economic situations, policies, trade, raw material supply, exchange rates and other aspects, continue to focus on its own expertise and advantages and strengthen independent innovation and cooperation with Chinese and foreign colleges, research and development institutions and upstream and downstream enterprises in the area of innovation to enhance its brand reputation and market influence. Meanwhile, the Group will vigorously carry out improvement activities such as intelligent factory, lean-oriented management, organizational optimization, technology upgrade and transformation, energy-saving and emission reduction, staffs downsizing and other efficiency improvements, so as to improve organizational effectiveness, reduce operating costs and maintain the sustainable development of the textile business of the Group.

SUPPLEMENTARY INFORMATION

USE OF PROCEEDS

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

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

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

In February 2017, the Company further issued convertible bonds under specific mandate to Dragon Capital Entertainment Fund One LP (the "**2017 CB**"). The net proceeds of which were intended to be used for the production of certain television drama series of the Group. As of 30 June 2018, the Company has used the proceeds of HKD135.7 million for the above disclosed purposes; while the surplus proceeds has been kept in the Company's bank account. For further details, please refer to the announcements of the Company dated 22 December 2016 and 28 February 2017.

Since 2017, National Radio and Television Administration (formerly known as the State Administration of Press, Radio, Film and Television of the People's Republic of China) and other supervision departments successively launched several policies, such as the Film Industry Promotion Law of the People's Republic of China (中華人民共和國電影產業促進法), the Notice Concerning Relevant Policies on the Prosperous Development of Television Dramas (關於支持電視劇發榮發展若干政策的通知) and the Opinions Concerning the Allocation Proportion of Production Cost of Internet Dramas (關於電視劇網絡劇製作成本配置比例的意見). The State Administration of Radio, Film and Television has tightened the review of several types of film and television dramas, and the film and television media industry has faced new opportunities and challenges. The Group timely adjusted the Company's film and television filming plan according to the market orientation and following up the guidelines of regulatory policies. The Group also adjusted some of the original 2017 CB repertoire plans, as follows:

Title	**Theme**	**Current Status**
The Echoes of Xibaipo (西柏坡的回聲)	Epic television drama based on revolution history	Submitted for screening
Food that Makes You Forget (忘食) (formerly known as "When Love Fades Away" (當愛已成往事))	Romantic web drama	Pause Production
Those Voices (幻聽者)	Science fiction web drama	Cancelled
Boyfriend Upgrade (男友升級站)	Romantic web drama	Cancelled
Detectives for Shiling (食靈神探)	Science fiction thriller	Cancelled
Ma Beier (馬背兒)	Republic period drama	Cancelled
The Myth of Wudang (神話武當)	Mythology and fantasy drama	Pause Production
The Financial Empire (金融帝國)	Historical drama	Pause Production
Detective He (神探鶴真人)	Internet dramas	Broadcasted
The Heavenly Emperor 1 and 2(御天神帝1 & 2)	Mythical fantasy internet drama	Broadcasted
Us and Them (後來的我們)	Urban emotional film	Broadcasted
The Heavenly Emperor 3 and 4(御天神帝3 & 4)	Mythical fantasy internet drama	Broadcasted
Hello My Dog (監獄犬計劃)	Comedy film	Broadcasted
Onec Upon A Time in the Northeast (東北往事)	Youth nostalgic film	To be broadcasted in the second half of 2018

Title	Theme	Current Status
Here Comes Dashan（大山來了）	Youth nostalgic film	To be broadcasted in the second half of 2018
Horror Blockbuster（恐不大片）	Horror film	To be broadcasted in the second half of 2018
The Family in That City（那座城，這家人）	Realistic drama	Under post-production
Mystic Kitchen 1 and 2(如意廚房1&2)	Internet Movie	Under post-production
Oh, My Honey!（甜心軟糖）	Internet Movie	Under post-production
Alien Monster: Survival in the Wild（異星怪獸之荒野求生）	Theatrical film	Shooting started and under filming
Lipstick Princess（唯美貌不可辜負）	Internet dramas	Shooting started and under filming
Soulmate（七月與安生）	Internet dramas	Shooting started and under filming
Legend of Taotie（饕餮記）	Internet dramas	Shooting started and under filming
Monster Hunters（鎮魂歌）	Internet movie	To be shot in the second half of 2018
In Broad Daylight（光天化日）	Theatrical film	To be shot in the second half of 2018
Platina Date（白金數據）	Internet dramas	Preparing script
Bulletproof Teacher（穿越火線）	Internet dramas	Preparing script
How to Get Super Powers（淚奔吧無用超能力）	Movie	Preparing script

In February 2018, the Company has issued an aggregate of 209,000,000 new shares at the subscription price of HKD0.74 per subscription share to Emerge Ventures Limited under general mandate. The proceeds were used for (i) the establishment of an academy for motion pictures arts and performance arts; and (ii) paying up the registered capital of the subsidiary of the Company being set up for the film/drama production completion guarantee operations of the Group and financing the development of this operation. As of 30 June 2018, the Company has used the proceeds of HKD120.0 million for the above disclosed purposes; while the surplus proceeds has been kept in the Company's bank account. For further details, please refer to the announcements of the Company dated 17 January 2018 and 5 February 2018.

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

For the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 June 2018, the directors of the Company (the "**Directors**") and chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Mode Code**"):

Name of Directors	Name of Group member/ associated corporation	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Mr. LIU Dong *(Note 2)*	The Company	Interest of a controlled corporation	273,609,836 shares (L)	21.81%
Mr. HE Han	The Company	Beneficial owner	14,008,000 share (L)	1.12%

Notes:

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

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

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Name of Group member/associated corporation	Capacity/nature of interest	Interest in underlying shares *(Note 1)*	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Excel Orient Limited *(Note 2)*	The Company	Beneficial owner	–	273,609,836 (L)	21.81%
Ms. WANG Lingli *(Note 3)*	The Company	Family interest	–	273,609,836 (L)	21.81%
Dragon Capital Entertainment Fund One LP *(Note 4)*	The Company	Beneficial owner	405,405,405 (L)	–	32.31%
Dragon GP Partner Co *(Note 4)*	The Company	Interests of a controlled corporation	405,405,405 (L)	–	32.31%
China Huarong International Holdings Limited *(Note 5)*	The Company	Interests of a controlled corporation	405,405,405 (L)	–	32.31%
Huarong Real Estate Co. Ltd. *(Note 6)*	The Company	Interests of a controlled corporation	405,405,405 (L)	–	32.31%
China Huarong Asset Management Co., Ltd. *(Note 7)*	The Company	Interests of a controlled corporation	405,405,405 (L)	–	32.31%
Ministry of Finance of the PRC *(Note 8)*	The Company	Interests of a controlled corporation	405,405,405 (L)	–	32.31%
Aim Right Ventures Limited *(Note 9)*	The Company	Beneficial owner	–	202,472,656 (L)	16.14%
Mr. Liu Zhihua *(Note 9)*	The Company	Interests of a controlled corporation	–	202,472,656 (L)	16.14%
Ms. Zou Guoling *(Note 10)*	The Company	Interests of spouse	–	202,472,656 (L)	16.14%
Emerges Ventures Limited *(Note 11)*	The Company	Beneficial owner	–	209,000,000 (L)	16.66%
Mr. Jin Peng *(Note 11)*	The Company	Interests of a controlled corporation	–	209,000,000 (L)	16.66%
Ms. Shen si *(Note 12)*	The Company	Interests of spouse	–	209,000,000 (L)	16.66%

Notes:

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

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

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

4. Pursuant to the terms of the convertible bonds issued to Dragon Capital Entertainment Fund One LP on 28 February 2017, assuming the conversion rights attached to the convertible bonds are exercised in full at the conversion price of HK$1.21 per conversion share, 247,933,884 new Shares will fall to be issued to Dragon Capital Entertainment Fund One LP. On 5 February 2018, the conversion price is adjusted to HK$0.74 per conversion share, 405,405,405 new shares will fall to be issued to Dragon Capital Entertainment Fund One LP. Dragon Capital Entertainment Fund One LP is an exempted limited partnership registered in the Cayman Islands controlled by Dragon GP Partner Co. By virtue of the SFO, Dragon GP Partner Co. is deemed to be interested in all the Shares held by Dragon Capital Entertainment Fund One LP.

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

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

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

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

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

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

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

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

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

The Company issued the 2016 CB and the 2017 CB on 14 October 2016 and 28 February 2017, respectively. The 2016 CB was early redeemed on 25 June 2018. For details of the 2016 CB, please refer to the announcements of the Company dated 3 October 2016, 14 October 2016, 5 June 2018 and 25 June 2018.

As at 30 June 2018, none of the convertible bonds under 2017 CB was converted. Details of the 2017 CB are set out in the Company's announcements dated 22 December 2016 and 28 February 2017, and the circular of the Company dated 17 January 2017.

On 5 February 2018, the Company issued 209,000,000 new shares under general mandate (the "Issuance"), which resulted in adjustments (the "Adjustment") to conversion price of the 2017 CB. For details of the Issuance and the Adjustment, please refer to the announcements of the Company dated 17 January 2018 and 5 February 2018. If all outstanding convertible bonds as at 30 June 2018, the dilutive impact on the then number of issued shares of the Company and the respective shareholdings of the substantial shareholders of the Company will be as follows:

	As of the date of this report		**Subsequent to the Issuance and upon full conversion of 2017 CB at the conversion price of HKD0.74**	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Non-public Shareholders				
Excel Orient Limited	273,609,836	21.81	273,609,836	16.48
Aim Right Ventures Limited	202,472,656	16.14	202,472,656	12.20
Emerge Ventures Limited	209,000,000	16.66	209,000,000	12.59
Mr. He Han	14,008,000	1.12	14,008,000	0.84
Dragon Capital Entertainment Fund One LP (2017 CB Bondholder(s))	–	–	405,405,405	24.42
Public Shareholders	555,659,164	44.28	555,659,164	33.47
Total	1,254,749,656	100	1,660,115,061	100

The total Shares as of the date of this report is 1,254,749,656; If all 2017 CB are converted into Shares, the total Shares will be 1,660,155,061.

In the event that all outstanding convertible bonds were converted as at 30 June 2018, the dilution impact on the (loss)/ earnings per share is as follows:

	As of 30 June 2018 RMB'000/ '000 shares
Loss attributable to ordinary equity shareholders	(92,738)
After tax effect of gains recognised on the derivative component of convertible bonds	57,747
After tax effect of effective interest on the liability component of convertible bonds	39,505
After tax effect of foreign exchange gains arising on translation of convertible bonds	285
After tax effect of gains recognised on redemption of convertible bonds	(569)
Profit attributable to ordinary equity shareholders (diluted)	4,230
Weighted average number of ordinary shares	1,214,335
Effect of conversion of convertible bonds	638,346
Weighted average number of ordinary shares (diluted)	1,852,681
Basic loss per share (RMB cents)	(7.6369)
Diluted loss per share (RMB cents) *(note)*	(7.6369)

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

Pursuant to the terms of the 2017 CB, the convertible bonds are not redeemable without the consent of the Bondholder(s) prior to the respective maturity dates. The maturity date of the 2017 CB is 28 February 2019. To the best of the Directors' knowledge, having made all reasonable enquiries, based on the financial position of the Group, the Directors expect that the Company will be able to meet its redemption obligations under the 2017 CB when it becomes due.

It would be equally financially advantageous for the security holders to convert or redeem the convertible securities upon the maturity date of the redemption based on the impelled internal rate of return of the 2017 CB at the Company's share price of HKD 0.7696.

CORPORATE GOVERNANCE

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

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

BOARD DIVERSITY POLICY

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

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

The Company commits to selecting the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, age, length of service) will be disclosed in the Corporate Governance Report annually.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters (including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2018 and the interim report).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

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

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

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

During the six months ended 30 June 2018, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme. The Company has no outstanding options as at 1 January 2017 and 30 June 2018.

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

EVENTS AFTER THE REPORTING PERIOD

No significant events took place during the period subsequent to 30 June 2018 and up to the date of this report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2018 RMB'000	2017 RMB'000 (Restated)
Continuing operations			
Revenue	*3*	**413,897**	262,675
Cost of sales and services		**(351,196)**	(192,214)
Gross profit		**62,701**	70,461
Other net (losses)/gains	*4*	**(52,280)**	52,083
Distribution costs		**(14,579)**	(9,279)
Administrative expenses		**(38,784)**	(40,908)
(Loss)/profit from operations		**(42,942)**	72,357
Net finance costs	*5(a)*	**(42,894)**	(35,436)
Share of profit less loss of associates		**–**	(4,020)
(Loss)/profit before taxation from continuing operations		**(85,836)**	32,901
Income tax	*6*	**(5,995)**	(6,098)
(Loss)/profit for the period from continuing operations		**(91,831)**	26,803
Discontinued operation			
Profit for the period from discontinued operation	*7*	**–**	3,047
(Loss)/profit and total comprehensive income for the period		**(91,831)**	29,850
Attributable to:			
Equity shareholders of the Company		**(92,738)**	29,961
Non-controlling interests		**907**	(111)
(Loss)/profit and total comprehensive income for the period		**(91,831)**	29,850

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018 – unaudited (continued)

(Expressed in Renminbi)

	Note	Six months ended 30 June **2018** **RMB'000**	2017 RMB'000 (Restated)
Basic (losses)/earnings per share (RMB cents)	*8*		
– Continuing and discontinued operation		**(7.6369)**	2.8650
– Continuing operations		**(7.6369)**	2.5737
– Discontinued operation		**–**	0.2913
Diluted (losses)/earnings per share (RMB cents)	*8*		
– Continuing and discontinued operation		**(7.6369)**	0.0004
– Continuing operations		**(7.6369)**	(0.2205)
– Discontinued operation		**–**	0.2209

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current assets			
Property, plant and equipment	*9*	**412,763**	389,434
Interests in leasehold land held for own use under operating leases	*9*	**62,349**	62,968
		475,112	452,402
Intangible assets		**1,087**	17
Goodwill		**441,475**	441,475
Investments in equity securities		**–**	1,000
Other receivables	*10*	**6,499**	2,984
Deferred tax assets		**1,658**	912
		925,831	898,790
Current assets			
Inventories		**140,733**	131,137
Drama series and films		**184,081**	201,747
Trade and other receivables	*10*	**301,706**	437,267
Pledged bank deposits	*11*	**5,225**	32,884
Cash and cash equivalents	*12*	**451,377**	155,598
		1,083,122	958,633

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018 – unaudited (continued)

(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Current liabilities			
Trade and other payables	*13*	**196,232**	230,040
Contract liabilities		**32,783**	–
Bank loans		**181,000**	201,250
Convertible bonds	*14*	**294,428**	159,659
Obligations under finance leases		**18,378**	–
Current taxation		**23,563**	17,820
		746,384	608,769
Net current assets		**336,738**	349,864
Total assets less current liabilities		**1,262,569**	1,248,654
Non-current liabilities			
Non-current borrowings	*14*	**198,550**	229,672
Obligations under finance leases		**11,973**	–
Deferred tax liabilities		**1,604**	1,025
		212,127	230,697
Net assets		**1,050,442**	1,017,957
Capital and reserves			
Share capital	*15(b)*	**79,730**	66,559
Reserves		**961,244**	942,837
Total equity attributable to equity shareholders of the Company		**1,040,974**	1,009,396
Non-controlling interests		**9,468**	8,561
Total equity		**1,050,442**	1,017,957

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
		Share capital	Share premium	Statutory surplus reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017		66,559	523,284	64,743	118,450	317,479	1,090,515	9,379	1,099,894
Change in equity for the six months ended 30 June 2017:									
Profit and total comprehensive income for the period		–	–	–	–	29,961	29,961	(111)	29,850
Balance at 30 June 2017		66,559	523,284	64,743	118,450	347,440	1,120,476	9,268	1,129,744
Balance at 1 January 2018		**66,559**	**523,284**	**66,095**	**118,450**	**235,008**	**1,009,396**	**8,561**	**1,017,957**
Change in equity for the six months ended 30 June 2018:									
Loss and total comprehensive income for the period		**–**	**–**	**–**	**–**	**(92,738)**	**(92,738)**	**907**	**(91,831)**
Shares issuance	*15(b)*	**13,171**	**111,145**	**–**	**–**	**–**	**124,316**	**–**	**124,316**
Balance at 30 June 2018		**79,730**	**634,429**	**66,095**	**118,450**	**142,270**	**1,040,974**	**9,468**	**1,050,442**

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2018	2017
	Note	**RMB'000**	RMB'000
Operating activities			
Cash generated from/(used in) operations		**79,077**	(183,134)
Tax paid		**(419)**	(3,164)
Net cash generated from/(used in) operating activities		**78,658**	(186,298)
Investing activities			
Acquisition of a subsidiary	*13*	**(30,000)**	–
Disposal of subsidiaries, net of cash and cash equivalents disposed of	*10*	**116,160**	–
Disposal of an associate	*10*	**6,000**	–
Payments for the purchase of property, plant and equipment and intangible assets		**(62,895)**	(14,107)
Other cash flows arising from investing activities		**39,049**	(22,920)
Net cash generated from/(used in) investing activities		**68,314**	(37,027)
Financing activities			
Proceeds from shares issuance		**124,316**	–
Proceeds from issuance of bonds		**191,331**	–
Payments for redemption of convertible bonds		**(177,855)**	–
Proceeds from issuance of convertible bonds		**–**	265,740
Other cash flows arising from financing activities		**(2,545)**	(2,874)
Net cash generated from financing activities		**135,247**	262,866
Net increase in cash and cash equivalents		**282,219**	39,541
Cash and cash equivalents at 1 January	*12*	**155,598**	173,037
Effect of foreign exchange rates changes		**13,560**	(2,940)
Cash and cash equivalents at 30 June	*12*	**451,377**	209,638

The accompanying notes form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 22 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Overview (Continued)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

The adoption of IFRS 9, IFRS 15 and IFRIC 22 does not have a material impact on the Groups' results and financial positions for the current or prior periods. Details of the changes in accounting policies are discussed in Note 2(b) for IFRS 9, Note 2(c) for IFRS 15 and Note 2(d) for IFRIC 22.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 15:

	At 31 December 2017	**Impact on initial application of IFRS 15** *(Note 2(c))*	**At 1 January 2018**
	RMB'000	RMB'000	RMB'000
Trade and other payables	230,040	(35,886)	194,154
Contract liabilities	–	35,886	35,886

Further details of these changes are set out in sub-section (c) of this note.

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

IFRS 9 replaces IAS 39, *Financial instruments*: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (Continued)

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

(i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial assets and financial liabilities remain the same, except for financial guarantee contracts.

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

Financial guarantees issued are initially recognised within "trade and other payables" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see Note 2(b)(ii)) on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(b)(ii) apply.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

The carrying amounts for all financial assets and financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and amounts due from related parties);

– contract assets as defined in IFRS 15 (see Note 2(c)); and

– financial guarantee contracts issued (see Note 2(b)(i)).

Financial assets measured at fair value, including equity securities measured at FVPL, and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Measurement of ECLs

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Measurement of ECLs (Continued)

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

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

Significant increases in credit risk

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

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

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

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

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

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

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Significant increases in credit risk (Continued)

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

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

Basis of calculation of interest income on credit-impaired financial assets

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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulties of the debtor;

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

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

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

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Write-off policy

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

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

Impact of the ECL model

The adoption of the ECL model under IFRS 9 does not have material impact on the carrying amounts of the Groups' financial assets as at 1 January 2018.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. The information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

– All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships. Changes to hedge accounting policies have been applied prospectively.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction* contracts, which specified the accounting for construction contracts.

(i) Timing of revenue recognition

Previously, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers, and revenue from licensing of drama series and films is generally recognised when the drama series and films is delivered in accordance with the terms of the contracts.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue from sales of textile products, licensing of drama series and films, and provision of services.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(c) IFRS 15, Revenue from contracts with customers (Continued)

(ii) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance. It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers.

The adoption of IFRS 15 does not have a significant impact on how the Group's recognises its revenue.

(iii) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to "advance received" was presented in the consolidated statement of financial position under "trade and other payables".

To reflect these changes in presentation, the Group have made the following adjustments as at 1 January 2018, as a result of the adoption of IFRS 15:

"Advance received" amounting to RMB36 million, which was previously included in trade and other payables is now included under "contract liabilities".

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(d) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC22 does not have any material impact on the financial position and the financial result of the Group.

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

	Continuing operations		Discontinued operation		Total	
For the six months ended 30 June	**2018 RMB'000**	2017 RMB'000 (Restated)	**2018 RMB'000**	2017 RMB'000 (Restated)	**2018 RMB'000**	2017 RMB'000 (Restated)
Revenue from contracts with customers within the scope of IFRS 15						
Disaggregated by major products or service lines						
– Sales of textile products	**282,369**	175,826	**–**	134,408	**282,369**	310,234
– Licensing of drama series and films	**55,073**	58,746	**–**	–	**55,073**	58,746
– Provision of textile products processing service	**19,548**	15,336	**–**	11,173	**19,548**	26,509
– Provision of drama series and films production, distribution and related services	**56,907**	12,767	**–**	–	**56,907**	12,767
	413,897	262,675	**–**	145,581	**413,897**	408,256

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue (Continued)

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

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

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

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

	Continuing operations				Discontinued operation			
	Textile		Media		Textile		Total	
For the six months ended 30 June	2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)
Disaggregated by timing of revenue recognition								
Point in time	282,369	175,826	58,053	61,707	–	134,408	340,422	371,941
Over time	19,548	15,336	53,927	9,806	–	11,173	73,475	36,315
Revenue from external customers	301,917	191,162	111,980	71,513	–	145,581	413,897	408,256
Inter-segment revenue	–	–	–	–	–	–	–	–
Reportable segment revenue	301,917	191,162	111,980	71,513	–	145,581	413,897	408,256
Reportable segment result (adjusted profit/(loss) before taxes)	11,510	11,596	(2,686)	12,962	–	5,769	8,824	30,327
Reportable segment assets	775,538	710,563	1,215,637	1,031,688	–	–	1,991,175	1,742,251
Reportable segment liabilities	305,993	251,988	150,683	190,998	–	–	456,676	442,986

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

3 REVENUE AND SEGMENT REPORTING (Continued)

(c) Reconciliations of reportable segment profit or loss

	Continuing operations		Discontinued operation		Total	
For the six months ended 30 June	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)		(Restated)
Reportable segment profit	**8,824**	24,558	**–**	5,769	**8,824**	30,327
Elimination of inter-segment profits	**–**	–	**–**	–	**–**	–
Reportable segment profit derived from the Group's external customers	**8,824**	24,558	**–**	5,769	**8,824**	30,327
Interest on convertible bonds	**(39,505)**	(31,254)	**–**	–	**(39,505)**	(31,254)
Interest on bonds	**(1,665)**	–	**–**	–	**(1,665)**	–
Change in fair value of derivatives embedded in convertible bonds	**(57,747)**	50,339	**–**	–	**(57,747)**	50,339
Gain on redemption of convertible bonds	**569**	–	**–**	–	**569**	–
Unallocated head office and corporate income/(expenses) (net)	**3,688**	(10,742)	**–**	–	**3,688**	(10,742)
Consolidated (loss)/profit before taxation	**(85,836)**	32,901	**–**	5,769	**(85,836)**	38,670

4 OTHER NET (LOSSES)/GAINS

	Continuing operations		Discontinued operation		Total	
For the six months ended 30 June	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)		(Restated)
Change in fair value of derivatives embedded in convertible bonds	**(57,747)**	50,339	**–**	–	**(57,747)**	50,339
Gain on redemption of convertible bonds	**569**	–	**–**	–	**569**	–
Net gain on sale of raw materials and scrap materials	**334**	82	**–**	(23)	**334**	59
Net gains/(losses) on disposal of equipments	**2,527**	(779)	**–**	–	**2,527**	(779)
Government grants	**1,928**	3,108	**–**	–	**1,928**	3,108
Others	**109**	(667)	**–**	162	**109**	(505)
	(52,280)	52,083	**–**	139	**(52,280)**	52,222

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

For the six months ended 30 June	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)		(Restated)
Interest on bank loans and other borrowings	**6,229**	5,277	**–**	988	**6,229**	6,265
Interest on convertible bonds	**39,505**	31,254	**–**	–	**39,505**	31,254
Interest on bonds	**1,665**	–	**–**	–	**1,665**	–
Net foreign exchange gains	**(5,516)**	(1,741)	**–**	(2,838)	**(5,516)**	(4,579)
Finance charges on obligations under finance leases	**965**	32	**–**	–	**965**	32
Interest income on bank deposits	**(828)**	(288)	**–**	(50)	**(828)**	(338)
Other finance charges	**874**	902	**–**	19	**874**	921
	42,894	35,436	**–**	(1,881)	**42,894**	33,555

(b) Other items

For the six months ended 30 June	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)		(Restated)
Amortisation						
– leasehold land	**701**	700	**–**	–	**701**	700
– intangible assets	**61**	1,765	**–**	3	**61**	1,768
Depreciation	**20,993**	20,509	**–**	8,774	**20,993**	29,283
Operating lease charges: minimum lease payments for properties	**3,428**	3,617	**–**	–	**3,428**	3,617
Impairment losses						
– trade and other receivables	**3,732**	387	**–**	190	**3,732**	577
– drama series and films	**6,684**	7,000	**–**	–	**6,684**	7,000
– inventories	**273**	691	**–**	–	**273**	691

6 INCOME TAX

For the six months ended 30 June	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)		(Restated)
Current tax	**6,162**	4,996	**–**	2,814	**6,162**	7,810
Deferred tax	**(167)**	1,102	**–**	(92)	**(167)**	1,010
	5,995	6,098	**–**	2,722	**5,995**	8,820

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

(ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the six months ended 30 June 2018 and 2017, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

(iii) The Group's PRC subsidiaries are subject to income tax rate of 25 % (2017: 25%).

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

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

7 DISCONTINUED OPERATION

On 5 November 2017, the Company disposed of its entire equity interests in Swift Power Limited, which was a wholly owned subsidiary of the Company, together with its subsidiaries (collectively referred to as the "Disposal Group"). The total consideration for the disposal is RMB145,200,000, among which consideration of RMB29,040,000 was settled in cash during the year ended 31 December 2017. The outstanding consideration was settled in cash in February and March 2018 respectively.

The Disposal Group is principally engaged in manufacture and sale of dobby grey fabrics. The consolidated results of the Disposal Group for the period from 1 January 2017 to 30 June 2017 have been presented as discontinued operations in the consolidated financial statements in accordance with IFRS 5. The profit and losses for the periods from the Disposal Group are set out below.

(a) Results of discontinued operation:

		Six months ended 30 June	
		2018	2017
	Note	**RMB'000**	RMB'000
			(Restated)
Revenue	*3*	–	145,581
Cost of sales and services		–	(129,780)
Gross profit		–	15,801
Other net gains	*4*	–	139
Distribution costs		–	(2,664)
Administrative expenses		–	(9,388)
Profit from operation		–	3,888
Net finance income	*5(a)*	–	1,881
Profit before taxation		–	5,769
Income tax		–	(2,722)
Profit for the period		–	3,047

(b) Cash flows generated from discontinued operations:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
		(Restated)
Net cash used in operating activities	–	(19,014)
Net cash used in investing activities	–	(163)
Net cash used in financing activities	–	(22,024)
Net cash outflow	–	(41,201)

8 (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (losses)/earnings per share for the six months ended 30 June 2018 is based on the following (loss)/profit attributable to equity shareholders of the Company and the weighted average number of ordinary shares, calculated as follows.

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

For the six months ended 30 June 2017, the calculation of diluted (losses)/earnings per share is based on the profit attributable to ordinary equity shareholders, adjusted to reflect the impact arising from the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares during the period, as used in the basic earnings per share, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

(a) (Loss)/profit attributable to ordinary equity shareholders of the Company

	Continuing operations		Discontinued operation		Total	
For the six months ended 30 June	**2018 RMB'000**	2017 RMB'000 (Restated)	**2018 RMB'000**	2017 RMB'000 (Restated)	**2018 RMB'000**	2017 RMB'000 (Restated)
(Loss)/profit attributable to ordinary equity shareholders (basic)	**(92,738)**	26,914	**–**	3,047	**(92,738)**	29,961
After tax effect of gains recognised on the derivative component of convertible bonds	**–**	(50,339)	**–**	–	**–**	(50,339)
After tax effect of effective interest on the liability component of convertible bonds	**–**	31,254	**–**	–	**–**	31,254
After tax effect of foreign exchange gains arising on translation of convertible bonds	**–**	(10,871)	**–**	–	**–**	(10,871)
(Loss)/profit attributable to ordinary equity shareholders (diluted)	**(92,738)**	(3,042)	**–**	3,047	**(92,738)**	5

8 (LOSS)/EARNINGS PER SHARE (Continued)

(b) Weighted average number of ordinary shares

	Six months ended 30 June	
	2018	2017
	'000	'000
Issued ordinary shares at 1 January	**1,045,750**	1,045,750
Effect of shares issuance (Note 15(b))	**168,585**	–
Weighted average number of ordinary shares (basic)	**1,214,335**	1,045,750
Effect of conversion of convertible bonds (Note 14(b))	**–**	333,774
Weighted average number of ordinary shares (diluted)	**1,214,335**	1,379,524

9 PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of RMB52,143,000(six months ended 30 June 2017: RMB8,990,000) and interests in leasehold land under operating leases with a cost of RMB82,000(six months ended 30 June 2017: RMB90,000). Items of machinery with a net book value of RMB7,821,000 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB1,034,000), resulting in gains on disposal of RMB2,527,000 (six months ended 30 June 2017: losses on disposal of RMB779,000).

The Group entered into a sale and leaseback agreement under finance leases expiring in 3 years on its machinery during the six months ended 30 June 2018. The obligations under finance leases amounted to RMB30,351,000 as at 30 June 2018, of which RMB11,973,000 is repayable after one year. At the end of the lease term, the Group has the option to purchase the leased machinery at a price deemed to be a bargain purchase option. None of the leases include contingent rentals. As at 30 June 2018, the net book value of machinery held under finance leases was RMB4,360,000.

10 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Current	**132,407**	61,085
Less than 3 months past due	**11,015**	7,081
3 to 6 months past due	**362**	4,179
6 to 12 months past due	**1,013**	32,967
Over 1 year past due	**8,373**	–
Trade debtors and bills receivable, net of loss allowance	**153,170**	105,312
Value-added tax recoverable	**8,486**	1,742
Advance to third parties	**28,911**	24,006
Amount due from an associate	**18,811**	9,546
Amount due from a non-controlling shareholder	**1,100**	–
Other receivables relating to disposal of subsidiaries	**–**	116,160
Other receivables relating to disposal of an associate	**–**	6,000
Others	**6,270**	8,756
Financial assets measured at amortised cost	**216,748**	271,522
Prepayments relating to purchases of raw materials	**13,312**	26,536
Prepayments and advance relating to drama series and films	**68,051**	138,660
Prepayments relating to purchases of property, plant and equipment	**6,514**	145
Deferred expense	**3,580**	3,388
	308,205	440,251
Other receivables expected to be collected or recognised as expense after more than one year	**(6,499)**	(2,984)
Trade and other receivables expected to be recovered or recognised as expense within one year	**301,706**	437,267

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

11 PLEDGED BANK DEPOSITS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Guarantee deposits for issuance of commercial bills and bank acceptance	**5,225**	10,014
Fixed bank deposits pledged for bank loans	**–**	22,870
	5,225	32,884

12 CASH AND CASH EQUIVALENTS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Bank deposits	**451,340**	155,533
Cash in hand	**37**	65
	451,377	155,598

13 TRADE AND OTHER PAYABLES

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Due within 3 months or on demand	**35,952**	26,041
Due after 3 months but within 6 months	**5,699**	7,176
Due after 6 months but within 12 months	**3,073**	3,241
Trade creditors and bills payable	**44,724**	36,458

13 TRADE AND OTHER PAYABLE (Continued)

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Advance from third parties *(Note (i))*	**42,489**	32,626
Payables relating to drama series and films	**41,320**	24,618
Taxes payable other than income tax	**24,113**	21,297
Accrued charges	**21,122**	17,865
Other payables	**15,916**	14,455
Payables relating to purchases of property, plant and equipment	**6,548**	9,800
Payables relating to acquisition of a subsidiary *(Note (ii))*	**–**	30,000
Financial liabilities measured at amortised cost	**196,232**	187,119
Advances received *(Note (iii))*	**–**	42,921
	196,232	230,040

Note (i): Included in the advanced from third parties are advance of RMB30,000,000 (31 December 2017: RMB30,000,000) from third parties which are unsecured, interest bearing at 8%-15% per annum and repayable within one year. Other advances from third parties are unsecured, interest-free and had no fixed repayment terms or repayable within one year.

Note (ii): The balance represents the consideration payable for the acquisition of a subsidiary, which was settled in January 2018.

Note (iii): As a result of the adoption of IFRS 15, advances received in relation to contracts with customers is included in contract liabilities (see Note 2(c)).

14 NON-CURRENT BORROWINGS

(a) The analysis of the carrying amount of non-current borrowings is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Convertible bonds *(Note 14(b)(i)&(ii))*		
– liability component	**240,647**	387,968
– derivative component	**53,781**	1,363
	294,428	389,331
Amount expected to be settled within one year	**(294,428)**	(159,659)
Convertible bonds expected to be settled after more than one year	**–**	229,672
Bonds *(Note 14(b)(iii))*	**198,550**	–
Amount expected to be settled after one year	**198,550**	229,672

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

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

(i) 2016 Convertible Bonds

On 14 October 2016, the Company issued convertible bonds with a face value of HKD200,000,000 and a maturity date on 14 October 2018, which was extendable to 14 October 2019 if agreed by the Company and the bondholders. The convertible bonds bear a nominal interest rate at 7% per annum and are guaranteed by Liu Zhihua, a shareholder of the Company.

The convertible bonds contained two components, i.e. liability component and derivative component. The effective interest rate of the liability component was 19% per annum. The derivatives embedded in convertible bonds were measured at fair value with changes in fair value recognised in the profit or loss.

14 NON-CURRENT BORROWINGS (Continued)

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

(i) 2016 Convertible Bonds (Continued)

In June 2018, the Company has early redeemed the 2016 Convertible Bonds with aggregate principal amounts of HKD200,000,000 by cash at approximately HKD215,050,000 (being the principal amount of HKD200,000,000 and accrued interests of approximately HKD15,050,000). A gain on redemption of the 2016 Convertible bonds of approximately HKD688,000, which represented the difference between the redemption price allocated to liability component of the 2016 Convertible bonds and the carrying amount of the liability component of the 2016 Convertible bonds at the redemption date, has been credited to the consolidated statement of profit or loss for the six months ended 30 June 2018.

(ii) 2017 Convertible Bonds

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

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

- Conversion rights are exercisable, wholly or partially, at any time up to maturity, or extended maturity, at the bondholders' option.

- If a bondholder exercises its conversion rights, the Company is required to deliver ordinary shares at the conversion price of HKD1.21 per share, which was adjusted to HKD0.74 per share in February 2018 (subject to further adjustments).

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

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

(iii) 2018 Bonds

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

15 CAPITAL AND DIVIDENDS

(a) Dividends

(i) Dividend payable to equity shareholders attributable to the interim period

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Interim dividend declared after the interim period of RMB nil per share (2017: RMB nil per share)	–	–

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

	Six months ended 30 June 2018 RMB'000	Six months ended 30 June 2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period	–	–

(b) Share capital

	At 30 June 2018		At 31 December 2017	
	No. of shares	RMB'000	No. of shares	RMB'000
Authorised:	–		–	
Ordinary shares of USD0.01 each	10,000,000,000	632,110	10,000,000,000	632,110
Ordinary shares, issued and fully paid:				
At 1 January	1,045,749,656	66,559	1,045,749,656	66,559
Share issuance (Note)	209,000,000	13,171	–	–
At 30 June and 31 December	1,254,749,656	79,730	1,045,749,656	66,559

Note: The Company allotted and issued 209,000,000 new ordinary shares of USD0.01 each at a price of HKD0.74 per ordinary share during the six months ended 30 June 2018. The net proceeds from the share issuance were approximately HKD154,292,000 (equivalent to approximately RMB124,316,000).

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

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

	Fair value at 30 June 2018	Fair value measurements as at 30 June 2018 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Derivatives embedded in convertible bonds	53,781	–	–	53,781

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(i) Fair value hierarchy (Continued)

	Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Derivatives embedded in convertible bonds	1,363	–	–	1,363

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Range**	**Weighted average**
Derivatives embedded in convertible bonds	Black Scholes model	Expected volatility	13% to 39% (2017: 21% to 50%)	29% (2017: 40%)

The fair value of the derivatives embedded in the convertible bonds is determined using Black Scholes model and the significant input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 June 2018, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would have decreased/increased the Group's profit after tax by RMB6,448,000/RMB4,095,000 (2017: RMB11,283,000/RMB6,943,000).

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

	2018 RMB'000	2017 RMB'000
Derivatives embedded in convertible bonds:		
At 1 January	1,363	25,941
On issuance	–	35,432
Change in fair value recognised in profit or loss for the period	57,747	(50,339)
Derecognition on redemption	(5,335)	–
Exchange adjustments	6	(1,487)
At 30 June	53,781	9,547
Total losses/(gains) for the period included in profit or loss	57,753	(51,826)

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

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

The carrying amounts of the Group's financial instrument carried at cost or amortised cost were not materially different from their fair values as at 30 June 2018 and 31 December 2017 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2018		At 31 December 2017	
	Carrying amounts RMB'000	Fair value at RMB'000	Carrying amounts RMB'000	Fair value at RMB'000
Convertible bonds – liability component	240,647	242,299	387,968	384,190

17 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2018 and 31 December 2017 not provided for in the interim financial report were as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Contracted for		
– Purchases of property, plant and equipment	**25,255**	1,031
– Acquiring services relating to production of drama series and films	**19,923**	17,867
	45,178	18,898

(b) At 30 June 2018 and 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year	**2,300**	2,300

18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Short-term employee benefits	**2,374**	2,514
Post-employment benefits	**44**	74
	2,418	2,588

18 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Provision of services	**17**	31
Procurement of services	**–**	37

(c) Balances with related parties

As at 30 June 2018 and 31 December 2017, the Group had the following balances with related parties:

	Notes	**At 30 June 2018 RMB'000**	At 31 December 2017 RMB'000
Amount due from an associate	*(i)(ii)*	**18,811**	9,546
Amount due from a non-controlling shareholder	*(ii)*	**1,100**	–

Notes:

(i) Loss allowance of RMB3,635,000 (2017: RMB855,000) have been made in respect of the amount due from an associate as at 30 June 2018.

(ii) The amounts are unsecured, interest-free and have no fixed term of repayments, which are included in "trade and other receivables" (Note 10).

19 CONTINGENT LIABILITIES

As at 30 June 2018, the Group has issued guarantees in the aggregate amount of RMB20,000,000 in respect of loans made by banks to the Disposal Group. As at 30 June 2018, the directors do not consider it probable that claims will be made against the Group under any of the guarantees. The maximum liability of the Group at 30 June 2018 under the guarantees issued is the outstanding amount of the loans of the Disposal Group of RMB20,000,000.

20 COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.

21 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. Except for the amendments to IFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as IFRS 9 (see Note 2(b)), the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of IFRS 16, Leases, which may have a significant impact on the Group's consolidated financial statements.

IFRS 16, Leases

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of IFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. IFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 30 June 2018:

	Properties RMB'000
Amounts payable:	
Within 6 months	2,300

Upon the initial adoption of IFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16.

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

Shandong, the PRC
22 August 2018