星宏传媒
STARRISE MEDIA

(incorporated in the Cayman Islands with limited liability)

Stock code: 1616

ANNUAL REPORT 2020

Contents

Corporate Information

Executive Directors

Mr. LIU Dong *(Chairman)*
Mr. LIU Zongjun *(Chief Executive Officer)*
Ms. CHEN Chen
Mr. HE Han
Mr. TAN Bin (resigned on 14 December 2020)

Independent Non-executive Directors

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

Company Secretary

Ms. CHAN Yin Wah, FCG, FCS, FCCA

Authorised Representatives

Mr. LIU Dong
Ms. CHAN Yin Wah

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Registered Office

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

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

Building A10,
50 Anjialou
Chaoyang District, Beijing
The PRC

Principal Place of Business in Hong Kong

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East, Wanchai,
Hong Kong

Legal Adviser to the Company (Hong Kong Law)

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

Corporate Information

Auditor

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

Hong Kong Branch Share Registrar and Transfer Office

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

Cayman Islands Share Registrar and Transfer Office

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

Principal Banker

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

Stock Code

1616

Company's Website Address

http://www.starrise.cn

Chairman's Statement

Dear Shareholders,

It is my pleasure to present on behalf of the board (the "**Board**" or "**Board of Directors**") of directors (the "**Directors**") of Starrise Media Holdings Limited ("**Starrise Media**" or the "**Company**") the audited consolidated results of the Company together with its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Year**" or "**Period Under Review**").

The Group has been engaged in the film and television media industry for over five years since its acquisition of Beijing Huasheng Taitong Media Investment Co., Ltd. ("**Huasheng Media**"), a subsidiary of the Group, in 2015. The Group has successfully divested its textile business and achieved its business transformation in 2019 and mainly focused on the media business which engaged in the production and distribution of films and television dramas. However, the outbreak of a novel coronavirus disease ("**COVID-19**") related pneumonia (the "**COVID-19 pandemic**" or the "**Epidemic**") continued to have a severe impact on the economy of China and the world. According to the information released by the National Bureau of Statistics, in terms of the three industries of the economy of China after the Epidemic was under control, the contribution rates of the primary industry, the secondary industry and the tertiary industry in the third quarter of 2020 were 20.3%, 49.2% and 30.5%, respectively. The contribution rates of the primary industry and the secondary industry increased significantly by 17.2% and 13.3%, respectively, compared with the corresponding period of 2019, while the contribution rate of the tertiary industry decreased by 30.5 percentage points. The tertiary industry mainly includes the consumer services industry as well as the cultural and entertainment industry, meaning that the film and television media industry in China was severely affected by the Epidemic in particular.

Under the influence of the COVID-19 pandemic, all cinemas in China were forced to suspend their business operations from January 2020, and the resumption of business operations were repeatedly postponed until the end of July 2020 when certain cinemas in low-risk areas gradually resumed their business operations provided that there would be effective implementation of various preventive and control measures in place. In addition, as the gathering of crew members for filming of movies and television dramas might render the prevention and control of the Epidemic to be less effective, the films and television dramas projects, regardless of whether filming has been started or not, were mostly suspended the filming progress in the first half of 2020. Accordingly, this causes adverse impact to the Group's operation: the distribution of two of the dramas of the Group was affected, the commencement of production of six of the dramas were temporarily postponed, and the post-production progress of ten of the dramas were affected by the staffs unable to return to their posts in the first half of 2020. Although the films and television dramas business of the Group resumed its operation during the second half of 2020, the disruptive impact on the promotion, filming and post-production of its film and television dramas experienced during the first half of the year 2020 had caused pressure on the Group's financial position.

Chairman's Statement

Pressure can be a strong motivating force. In order to achieve the long-term development and get a better return for the shareholders of the Company (the "**Shareholders**"), the Group is constantly exploring various ways, means and new markets to present the content of our works. In the past two years, the popularity of variety shows and short-form video have been affecting the audience ratings of traditional films and television dramas. In particular, whilst the filming and production of traditional films and television dramas have been halted due to the impact of the COVID-19 pandemic since early 2020, many video platforms have been able to launch a series of cloud variety shows in the form of cloud recording, frame-linking and micro-video due to the ability of recording and launching these videos with minimal production scale and crew as well as the popularity of people in home isolation with stringent control measures of the COVID-19 pandemic were being implemented by the PRC government. In view of the rapid development of variety shows and short video, the Group will in 2021 strive to identify better investment opportunities, adjust the investment direction and product structure of the Group according to the demands of the media market, and explore new markets on the premise that the production quality of the existing films and television dramas of the Group is maintained in order to achieve the long-term sustainable development of the Group.

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

By order of the Board

Starrise Media Holdings Limited
LIU Dong
Chairman

Beijing, the PRC
25 March 2021

Financial Summary

in RMB'000	**2020**	2019	2018	2017	2016
		For the year ended 31 December			
RESULTS FROM CONTINUING OPERATION					
Revenue	**94,120**	284,183	352,326	77,129	120,311
(Loss)/profit before taxation	**(291,776)**	48,823	(143,230)	(117,214)	33,993
Income tax	**9,564**	17,913	8,833	3,136	1,110
(Loss)/profit for the year	**(282,212)**	30,910	(152,063)	(120,350)	32,883

in RMB'000	**2020**	2019	2018	2017	2016
		As at 31 December			
ASSETS AND LIABILITIES					
Total assets	**1,308,575**	2,003,989	2,109,078	1,857,424	1,747,482
Total liabilities	**384,743**	797,945	1,156,563	839,467	647,588
Net assets	**923,832**	1,206,044	952,515	1,017,957	1,099,894

Management Discussion and Analysis

Industry and Business Overview

In early 2020, the sudden outbreak of COVID-19 pandemic had a significant impact on China's economic development. The spread of the Epidemic across the globe also caused the world's economy to suffer adversely, thus exposing China's economy to further uncertainties. Fortunately, the Epidemic was under better control starting mid-2020 due to the preventive and control measures against it implemented by the PRC government, and hence did not affect the long-term, positive growth in China's economic development. According to China Customs, China was the only major economy in the world to achieve positive growth in trade in goods in 2020, and China's gross domestic product ("**GDP**") reached approximately RMB101.6 trillion in 2020 according to the National Bureau of Statistics of the PRC, representing its first time in exceeding RMB100 trillion in GDP and a growth of approximately 2.3% over 2019 on a comparable basis. Based on the average annual exchange rate, China's economy is expected to account for more than 17% of the world's economy in 2020, making it a major force behind the global economic recovery.

Although the long-term positive development of China's economy remains unchange, its tertiary industry (which includes the cultural industry and consumer services industry) has taken a hit because of the Epidemic. According to the National Bureau of Statistics of the PRC, in 2020, the value-added contribution of China's tertiary industry (which consists of the services sector) amounted to approximately RMB55,397.7 billion, with an increase of 2.1% but a growth rate of approximately 4.8 percentage points lower than that of the previous year. Although the final consumption expenditure in China accounted for 54.5% of GDP in 2020, the final consumption expenditure contributed up to approximately –337.1% of China's cumulative GDP growth in the first three quarters of 2020, pulling the cumulative GDP growth down by 2.5 percentage points. As such, the impact of the COVID-19 pandemic on China's tertiary industry was significant.

Due to the impact of the COVID-19 pandemic and the implementation of the preventive and crowd-control measures, the Chinese movie market entered a low season in 2020 since the beginning of the year: the release of all movies that were originally scheduled for the Spring Festival holidays was halted, all theatres throughout China suspended operations, followed by the cancellation of Valentine's Day and Labour Day schedules, all of which resulted in direct losses at the box office in China. It was not until July 2020 that theaters, which had been closed for more than six months, were able to resume operations. However, in light of the stringent requirements of the prevention and control measures against the Epidemic and the shortage of staff due to the prolonged closure and reduce in workforce of theaters, there had been a certain impact on the initial resumption of work. The total box office of Chinese movies in 2020 was RMB20.417 billion with a year-on-year decrease of RMB43.849 billion or 68.23%. The total number of attendance was approximately 548 million with a year-on-year decrease of 68.27%.

Management Discussion and Analysis

With regards to the television drama market, under the impact of the COVID-19 pandemic and the policy of the National Radio and Television Administration "limiting the production of TV dramas and internet dramas to not exceeding 40 episodes and encouraging the dramas with 30 episodes or less", filing applications of 670 TV dramas were accepted in 2020, representating a decrease of 26.0% compared to that of 905 dramas in 2019. Comparing the change in the number of filings made in each month, there had been an overall downward trend in 2020. Whilst realistic contemporary genre accounted for over 80% of the TV and internet drama, there is an increasing popularity in dramas of the cultural and entertainment genre, such as online variety shows, short videos, live shows and game shows. The change in audience's preference further impacted the audience rating of films and television dramas. In face of such challenges, 13,170 TV-related companies in China were cancelled or revoked in the first half of 2020 according to publicly available data, far exceeding the number of companies cancelled in the year 2019.

In 2020, due to the impact of the COVID-19 pandemic, no dramas were broadcasted by Huasheng Media（北京華晟泰通傳媒投資有限公司）, a wholly-owned subsidiary of the Group. However, as the production of TV dramas and movies with mainstream themes still enjoy favorable policies, Huasheng Media will continue to focus on investing in and producing high quality television dramas with mainstream and positive themes. Among the films and television series invested or produced by Huasheng Media, during the Period Under Review, the sitcom "The New Big Head Son and The Little Head Father (Episodes 101-200)"（新大頭兒子小頭爸爸101-200集）and the large-scale television series "Legend of Businessman in Hongjiang"（一代洪商）, both of which are being submitted for broadcasting and expected to be aired on CCTV; the historical story drama "Blood Pledge for Thousands of Years"（血盟千年）has completed its post-production process and is currently at the distribution stage; the animated film "Tempering of King Gelsall"（格薩爾王之磨煉）has been submitted for approval; the sitcom "The New Big Head Son and The Little Head Father (Episodes 201-300)"（新大頭兒子小頭爸爸201-300集）, the television drama "Wu Dang"（天下武當）and the realistic drama "Yangtze River Bridge"（長江大橋）have reached the stage of script preparation.

In addition, the Group is able to leverage on the diversified IP resources, experiences and competitive advantage in internet dramas and internet movies of Beijing Starrise Pictures Co., Ltd.（北京星宏影視文化有限公司）("**Starrise Pictures**") and Beijing Starwise Culture Media Co., Ltd.（北京睿博星辰文化傳媒有限公司）("**Beijing Starwise**"), both of which are the wholly-owned subsidiaries of the Group, to develop a variety of the film and drama produced by the Group and to broaden the audience base of the Group's films and dramas.

Among the films and television series invested or produced by Starrise Pictures, the internet movies "Alien Monster: Survival in the Wild"（異星怪獸之荒野求生）, "Breaking Gods"（破神錄）, "Monster Hunters"（鎮魂歌）and "Ultimate Drift"（極限漂移）(formerly known as "Drift on! Zhi"（漂移吧！小志）) were released in 2020; the internet movie "Legend of Immortality – Sword Maker"（修仙傳之煉劍）(formerly known as "Sword Maker"（煉劍）) was released in February 2021; the youth nostalgic film "Once Upon A Time In The Northeast"（東北往事）, the theatrical film "Twin Blades"（尖鋒姐妹）(formerly known as "曆小龍與程序媛") and the internet movie "Manhunt"（極寒追惡）were submitted for screening; the internet movies "The Box"（魔盒之高山流水）(formerly known as "Bosom Friend"（高山流水）) and "Scream"（驚聲尖笑）(formerly known as "Horror Blockbuster"（恐不大片）), the youth nostalgic film "Here Comes Dashan"（大山來了）, the television drama "Kapok Blooms Everywhere"（木棉花開紅爛漫）and the internet drama "Legend of Taotie"（饕餮記）are all currently at the release stage; the internet movie "Assault"（突擊）started filming in February 2021; the internet movies "Emergency Rescuing"（心跳營救）and "King of the Sniper"（狙擊之王）as well as the theatrical film "Tianta Crisis"（天塔危機）are currently at the stage of preparation for filming; the internet movies "New Tong Pak Foo Dim Chau Heung"（唐伯虎點秋香後傳）, "Elderly Hero"（遲暮英雄）, "The First Undercover in the Southern Song Dynasty – The Case of Demon Cat"（南宋第一臥底之妖貓案）, "Mystery Case in Ying Dynasty"（大應奇案生死簿）and "Amaranthine Epiphyllum"（雙世曇花）completed the stage of script writing; the internet movie "The Day We Spent Together"（一起混過的日子）is currently at the stage of script writing and preparation.

Management Discussion and Analysis

Among the films and television series invested or produced by Beijing Starwise, the internet movie "The Shark"（陸行鯊）and the television drama "Healer of Children"（了不起的兒科醫生）were released in 2020; the internet movie "Rat Race"（狂鼠列車）(formerly known as "Rat Disaster"（大鼠災））was released in January 2021; the animated film "GO! REX"（你好，霸王龍）is currently at the release stage; the internet movie "Desperate Sniper"（絕地狙殺）(formerly known as "Deadly Sniper 2"（致命狙殺2)) completed its shooting and is going through the post-production process; the internet drama "Her Fantastic Adventures"（第二次初見）(formerly known as "Back To The Dynasty"（午門囧事））started filming in November 2020 and is in the process of filming; the internet dramas "Platinum Data"（白金數據）, "Bulletproof Teacher"（穿越火線：防彈教師）, "Fiber"（纖維）and "Shiny Days"（雨過天晴雲開處）, as well as the internet movies " The Iron Bone and Steel Fist"（鐵骨鋼拳）and "Blood Valley Of Wolves"（殺出血狼谷）, all of which are valuable IP projects of Beijing Starwise, are all currently at the stage of script development and early investment.

As the consequence of the delay in filming and production schedule and the forced closed down of the cinemas caused by the COVID-19 pandemic, during the Period Under Review, the Group's revenue was approximately RMB94.1 million, which represented a decrease of approximately RMB190.1 million as compared to that of the previous year, whilst the Group's gross loss for the Year was approximately RMB17.2 million, which represented a decrease in profits of approximately RMB149.4 million as compared to gross profit of approximately RMB132.2 million recognised in the previous year. Consequentially, loss attributable to equity shareholders of the Company was approximately RMB281.3 million for the Year, which represented a decrease in profits of approximately RMB311.5 million as compared to last year's profit attributable to equity shareholders of approximately RMB30.2 million.

Financial Review

Turnover, gross profit and gross profit margin

The table below is an analysis of the Group's turnover, gross profit and gross profit margin for the years ended 31 December 2020 and 2019, respectively:

	For the year ended 31 December					
	2020			2019		
	Revenue RMB'000	**Gross profit RMB'000**	**Gross profit margin**	Revenue RMB'000	Gross profit RMB'000	Gross profit margin
Film and Television business	**94,120**	**(17,239)**	**–18.3%**	284,183	132,176	46.5%

For the year ended 31 December 2020, the Group's revenue from film and television business experienced significant decrease of approximately 66.9%. As disclosed above, the main reason is due to postpone in commencement of certain projects and the unsatisfactory performance of some released projects in the box office under the adverse impact of COVID-19 pandemic. The gross profit margin of the Group decreased by approximately 64.8 percentage points, from approximately 46.5% attributable to the continuing operations for same period of the previous year to approximately –18.3% for the Year, as the consequence of the aforementioned decrease in the Group's revenue from film and television business during the Year due to some of the Group's television series and internet movies not being broadcasted or performing due to the COVID-19 pandemic as the Group expected.

Other net income

Components of other net income of the Group mainly comprised of change in fair value of derivatives embedded in convertible bonds, change in carrying amount of convertible bonds as non-substantial modification of the terms, and net gain from investments in drama series and films. The total amount of other net income for the Period Under Review was approximately RMB135.6 million, representing an increase of approximately RMB125.8 million as compared to other net income of approximately of RMB9.8 million of the previous year. This was mainly due to, during the Period Under Review, (i) the income of approximately RMB113.3 million arising from the change in fair value of derivatives embedded in convertible bonds increased by approximately RMB143.0 million as compared to the loss of approximately RMB29.7 million during same period of last year; and (ii) the gain in change in carrying amount of convertible bonds as non-substantial modification of the terms of approximately RMB13.2 million decreased by approximately RMB0.3 million as compared to that of approximately RMB13.5 million during the same period of last year.

Distribution costs

For the year ended 31 December 2020, total distribution costs of the Group decreased by approximately RMB1.6 million to approximately RMB8.6 million as compared to that of the corresponding period of last year. Such decrease was mainly due to the decrease in the marketing expenses and promotion expenses of films and television dramas of the Group as compared to the corresponding period of last year.

Administrative expenses

For the year ended 31 December 2020, the administrative expenses of the Group was approximately RMB22.8 million, representing a decrease of approximately 19.7% when compared to the administrative expenses of approximately RMB28.4 million in the previous year. The decrease was mainly due to implementation of the Group's cost control measures on fixed expenses and labor service costs and a concessionary reduction in rental costs due to the Epidemic.

Other expenses, impairment losses on trade and other receivables

During the year ended 31 December 2020, the Group's other expenses consist of impairment losses of goodwill as well as write-downs for drama series and films. Due to the impact of the COVID-19 pandemic on the Group's film and television business, the Group recognized an impairment loss of approximately RMB309.9 million after reassessing its cash flow projections. In particular, the Group recognised an impairment loss for goodwill of approximately RMB286.7 million and write-downs for drama series and films of approximately RMB23.2 million.

The Group recognized an impairment losses on trade and other receivables of approximately RMB20.6 million.

Net finance costs

During the year ended 31 December 2020, the net finance cost of the Group was approximately RMB48.1 million, which remained relatively stable as compared to the net finance cost of approximately RMB48.3 million in 2019. During the year ended 31 December 2020, the interest payments of the convertible bonds issued by the Group was approximately RMB28.8 million, representing a decrease of approximately RMB4.4 million as compared to that of approximately RMB33.2 million in the corresponding period of last year. Because of the increase in the bank loans for the Year as compared to the same period of the previous year, interest on bank loans and other financial liabilities increased by approximately RMB2.2 million from approximately RMB4.9 million in 2019 to approximately RMB7.1 million during the Period Under Review. The interest income of the Group decreased from approximately RMB2.6 million of the previous year to approximately RMB0.02 million during the Period Under Review, decreased by approximately RMB2.58 million.

Income tax

Income tax of the Group decreased from approximately RMB17.9 million in 2019 to approximately RMB-9.6 million during the Period Under Review. This was mainly due to the recognition of certain deferred income tax assets and the write down of deferred income tax expense as a result of the deductible temporary differences arising from losses in the Year.

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

For the year ended 31 December 2020, the loss attributable to the equity shareholders of the Company was approximately RMB281.3 million, representing a decrease in profits of approximately RMB311.5 million as compared to the profit attributable to the equity shareholders of approximately RMB30.2 million in 2019. It was mainly due to the substantial decrease in the revenue of the Group's film and television business affected by the Epidemic and the recognition of an impairment loss of approximately RMB330.5 million.

Impairment loss on goodwill

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

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

- Internal and external sources of information are reviewed at the end of each reporting period to identify indications that goodwill may be impaired. If any such indication exists, the recoverable amount for goodwill is estimated. In addition, the recoverable amount for goodwill is estimated periodically whether or not there is any indication of impairment.

- The recoverable amount of goodwill is determined based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU, which is the smallest group of assets that generates cash inflows independently.

Due to the adverse impact of the COVID-19 pandemic, the management of the Group noted that the financial performance of drama series and films business declined and the delivery schedules of certain drama series and films were slower than expected during the year ended 31 December 2020. As such, the management of the Group reassessed the cash flow projections and key assumptions for the drama series and films business having taken into account these circumstances in the value-in-use calculations to determine the recoverable amounts of the CGUs. As the carrying amounts of the CGUs was estimated to be higher than its recoverable amounts, an impairment loss of approximately RMB286.7 million was recognised for goodwill relating to the drama series and films business as at 31 December 2020. In particular, Solid Will Ltd. and its subsidiaries ("**Solid Will**") recognised an impairment loss for goodwill of approximately RMB206.1 million, Star Will Investments Ltd. and its subsidiaries ("**Star Will**") recognised an impairment loss for goodwill of approximately RMB62.2 million, and Beijing Starwise recognised an impairment loss for goodwill of approximately RMB18.4 million.

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

- The recoverable amounts of the CGUs are determined based on value-in-use calculations, for which the Company appointed an independent valuer to conduct a valuation (the "**Valuation**").

  Under International Accounting Standard 36 Impairment of Assets ("**IAS 36**"), discounted cash flow method shall be adopted in the value-in-use calculations. Accordingly, the discounted cash flow method was adopted in compliance with IAS36. These calculations took into account the cash flow projections based on financial budgets approved by management covering a five years period; whilst the cash flows beyond the period are extrapolated using a long-term growth rate estimated by management, which does not exceed the long-term average growth rates for the business in which the CGUs operate.The recoverable amounts of the CGUs are determined based on value-in-use calculations.

- The key assumptions used in the Valuation for estimation of value in use are as follows:

	Solid Will		**Star Will**		**Beijing Starwise**	
	2020	2019	**2020**	2019	**2020**	2019
Pre-tax discount rates	**28%**	25%	**30%**	28%	**34%**	31%
Budgeted gross margin	**38%**	49%	**26%**	32%	**25%**	34%
Long-term growth rates	**3%**	3%	**3%**	3%	**3%**	3%

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

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

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

- The long-term growth rates are determined as the lower of the long-term weighted average growth rate estimated by management and the long-term average growth rates for the business in which the CGUs operate.

In view of the adverse impact and the uncertainties brought about by the COVID-19 pandemic affecting the Group's drama series and films business, the Group took a prudent approach to adjust the financial budgets and its key assumptions. In particular, the pre-tax discount rates were adjusted upward and the budgeted gross margins were adjusted downward for each of Solid Will, Star Will and Beijing Starwise to reflect impact of the COVID-19 pandemic. As the CGUs has been reduced to its recoverable amount of approximately RMB148.4 million, any adverse change in the assumptions used in the calculation of recoverable amount may result in further impairment losses.

Management Discussion and Analysis

Liquidity and financial resources

As at 31 December 2020, cash and cash equivalents of the Group were approximately RMB11.6 million, representing a decrease of approximately 94.0% from approximately RMB193.4 million as at 31 December 2019. This was mainly due to the decrease in bank deposits of the Group as a result of the repayment of convertible bonds and bonds during the Year.

For the year ended 31 December 2020, the Group's net cash generated from operating activities was approximately RMB6.7 million, net cash generated from investing activities was approximately RMB110.6 million and net cash used in financing activities was approximately RMB298.9 million. 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 the Group's cost control measures and contingency measures implemented in face of COVID-19 pandemic.

With respect to customers with long-established business relationship, good settlement record and sound reputation, the Group may consider to grant a credit period typically ranging from 30 to 180 days on the terms of payments for purchasing or processing orders in order to maintain the sufficient cash flow and competitiveness within the industry. The length of credit period depends on various factors such as financial strength, scale of the business and settlement record of those customers. For the year ended 31 December 2020, the average trade receivables (including bills receivable) turnover days for films and television dramas of the Group increased to approximately 967 days from approximately 315 days (being restated average trade receivables turnover period for films and television dramas) for last year. Such increase was mainly due to the sharp decrease in Group's revenue from film and television business.

For the year ended 31 December 2020, drama series and films turnover period of the Group increased to 1,142 days from 704 days in the previous year. This was mainly because of the increase in the amount of drama series and films and the decrease in the sales revenue and cost of drama series and films under the impact of COVID-19 pandemic as compared to the same period of the previous year. These high turnover days were also heavily influenced by the overall industry environment.

As at 31 December 2020, the Group's bank borrowings and lease liabilities were approximately RMB52.9 million (2019: approximately RMB37.3 million) and bore fixed interest rate at 4.05%– 5.02% (2019: fixed interest rate at 4.8%-5.2%) per annum. As at 31 December 2020, the Group did not have bank borrowings which bore floating interest rate (2019: Nil). The Group's debt associated with convertible bonds was approximately RMB104.8 million as at 31 December 2020 (2019: approximately RMB161.5 million), with annual effective interest rate of 22.0% (2019: 22.0%). As at 31 December 2020, the carrying amount of the Group's bonds was approximately of RMB36.4 million (2019: approximately of RMB218.1 million) with annual effective interest rate of 8.0% (2019: annual effective interest rate of 6.0%).

Trade and bill receivables

Trade and bill receivables were approximately RMB206.8 million as at 31 December 2020 (approximately RMB269.8 million as at 31 December 2019).

Earnings per share

Calculating based on the weighted average number of 1,416,912,000 shares in issue, basic loss per share of the Company was approximately RMB0.1985 for the year ended 31 December 2020 (2019: basic earnings per share was approximately RMB0.0217). Calculating based on the weighted average number of 1,579,074,000 ordinary shares (diluted), diluted loss per share of the Company was approximately RMB0.2490 for the year ended 31 December 2020 (2019: diluted earnings per share was approximately RMB0.0217).

Treasury policies

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

Capital structure

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

As at 31 December 2020, the debts of the Group were mainly bank borrowings, convertible bonds, bonds and leases liabilities with a total amount of approximately RMB197.4 million (2019: approximately RMB537.3 million). As at 31 December 2020, cash and cash equivalents was approximately RMB11.6 million (2019: approximately RMB193.4 million). As at 31 December 2020, the gearing ratio was approximately 20.1% (2019: approximately 28.5%), which was calculated by dividing total debt (i.e. interest-bearing bank loans, convertible bonds, lease liabilities and bonds, after deducting cash and cash equivalents) by total equity.

As at 31 December 2020, the debts of the Group that will become due within a year were approximately RMB185.2 million (2019: approximately RMB301.8 million).

As at 31 December 2020, the Group's cash and cash equivalents was mainly held in Renminbi, US dollars and HK dollars, of which, approximately RMB9.4 million (2019: approximately RMB27.2 million) or 81.0% (2019: 14.1%) of the cash and cash equivalents was held in Renminbi.

Furthermore, the Group did not have finance lease liabilities as at 31 December 2020 (2019: Nil). The carrying amounts of bank loans were denominated in RMB. For the year ended 31 December 2020, no financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Capital commitments

Save as disclosed in the note 27 to the financial statements, the Group did not have any other significant capital commitments as at 31 December 2020 (2019: Nil).

Management Discussion and Analysis

Employee and remuneration policy

As at 31 December 2020, the Group had a total of approximately 78 employees (2019: 96).

For the year ended 31 December 2020, labour costs of the Group from continuing operations (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB19.9 million (2019: approximately RMB22.3 million). The decrease of labour costs was mainly because of the decrease in staff remuneration as a result of the decrease in number of employees of the Group.

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

Exposure to foreign exchange risk

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

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

Contingent liabilities

The Group did not have any contingent liability as at 31 December 2020 (2019: Nil).

Charges on assets

The Group did not have machinery and equipment pledged to banks as securities for the bank loans as at 31 December 2020 (2019: Nil).

Significant investments held

The Group did not hold any significant investment in equity interest in any company during the year ended 31 December 2020.

Future plans for material investments and investments in capital assets

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

Acquisitions and disposals of subsidiaries and affiliated companies

For the year ended 31 December 2020, the Group did not have any material acquisitions or disposals of subsidiaries, joint ventures and associated companies.

Management Discussion and Analysis

Events after the Reporting Period

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

1. On 5 January 2021 (after trading hours), the Company and Jinbi Market (Hong Kong) Limited (the "**Subscriber**") entered into the a subscription agreement (the "**Subscription Agreement**"), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for an aggregate of 101,137,134 new shares at the subscription price of HKD0.156 per subscription share. All the conditions have been fulfilled and the completion took place on 19 January 2021 in accordance with the terms and conditions of the Subscription Agreement. The gross proceeds of the subscription are approximately HKD15.78 million and the net proceeds of the subscription are approximately HKD15.73 million. Further to completion of the subscription, the adjusted conversion price of the outstanding convertible bonds was further adjusted to HKD0.156 per conversion share. Please refer to the announcements of the Company dated 31 December 2020, 5 January 2021 and 19 January 2021 for further details.

2. On 26 February 2021, convert the convertible bonds of the Company held by BeiTai Investment LP in an aggregate principal amount of HKD20 million were converted into 128,205,128 shares at the adjusted conversion price of HKD0.156 per conversion share. Please refer to the announcement of the Company dated 25 February 2021 for further details.

3. On 26 February 2021, the Company announced that the Company and Dragon Capital Entertainment Fund One LP ("**Dragon Capital**") has entered into a discussion regarding the potential extension of maturity date of the outstanding bonds held by Dragon Capital (the "**Potential Extension**"). On 24 March 2021, the Company further announced that the Company received a notice from Dragon Capital confirming the Potential Extension and the potential transfer of the outstanding bonds held by Dragon Capital to Mr. Liu Zhihua (being a substantial shareholder and a connected person of the Company under Chapter 14A of The Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") as at the date hereof) (the "**Potential Transfer**"), with terms subject to the entering into of a legally binding agreement between the relevant parties. If (a) the Potential Extension materialises, it would constitute an alteration in terms of convertible debt securities after issue pursuant to Rule 28.05 of the Listing Rules and be treated as a new arrangement for the Company to issue the outstanding bonds to the respective holder(s) of the Bonds; and (b) the Potential Transfer materialises, it would constitute a connected transaction under Chapter 14A of the Listing Rules, both of which require specific mandate to be obtained from the Shareholders pursuant to the Listing Rules. Please refer to the announcements of the Company dated 26 February 2021 and 24 March 2021 for further details.

   The Company will make further announcement(s) regarding the Potential Extension and the Potential Transfer as and when appropriate or required in accordance with the requirements of the Listing Rules.

4. For the period ended 25 March 2021, the Group has collected other receivables in relation to disposal of subsidiaries of HKD138 million.

Management Discussion and Analysis

Outlook

The film and television media industry suffered greatly due to the COVID-19 pandemic in 2020. However, with the availability of vaccines and better control over the spread of Epidemic, the Group believes that market situation of the film and television media industry will gradually improve as the economy recovers. The national box office during the Spring Festival holidays from 11 to 17 February 2021 reached RMB7,822 million, representing an increase of 32.46% compared to the pre-COVID-19 pandemic level of RMB5,905 million in 2019, demonstrating that the film and television media industry is recovering as the Epidemic being gradually contained. The increased demand for films to be released in the re-opened cinemas will bring in revenue for the film and television media industry in China.

Furthermore, in 2020, with the relevant Chinese authorities imposing quarantine measures and encouraging the Chinese citizens to stay at home, people spent more time watching online drama series and films, variety shows, short videos, live shows and games etc. Featured by providing strong entertainment value within a short segment and being convenient to watch, watching variety shows, short videos and other similar contents become audiences' preferred recreational activities, thus creating challenges in such competitive business environment against the traditional film and television content. According to the National Radio and Television Administration, 229 online variety shows were released on online audio-visual platforms in 2020, with the number of popular variety shows being watched reaching approximately 1.8 billion. As such, the popularity of variety shows and short videos poses major challenges on traditional drama series and films. In the future, the Group will continue to explore more possibilities on enhancing the quality of its drama series and films. We will gradually adjust our investment strategies and product structures in accordance with regulatory policies and market preferences, and seek more and better investment opportunities in accordance with the media market situation, while enhancing the quality of internet dramas and movies.

Looking forward, although the current financial performance of the Group's media business has been adversely affected by the COVID-19 pandemic, the Group is optimistic about the long-term development of the film and television media industry in China. The Group will continue to focus its resources and efforts on the development of its media business. On one hand, the Group will leverage on the IP resources of Starrise Pictures and Beijing Starwise and their long-term cooperative relationships with online video platforms to broaden its audience base with a focus on internet dramas and movies. On the other hand, the Group will take advantages of quality orthodox dramas with positive themes produced by Huasheng Media to enhance the Group's recognition and competitiveness. Meanwhile, the Group will continue leveraging on the competitive advantages of the film and television media school jointly established by the Group with Chongqing Normal University Foreign Trade and Business College in cultivating professional talents to provide stable income and talents for the Group. In 2021, the Group will pay close attention to the government policies related to the film and television media industry and make full use of its existing resources to seek opportunities in the film and television drama market and diversify its media business. Additionally, the Group will also adjust its investment and production plans in a timely manner and produce quality dramas, so as to generate better rewards for the Shareholders and to facilitate and sustain the Group's development.

Management Discussion and Analysis

Currently, the Group's preparatory plans and filming works are undergoing smoothly, and the broadcasted dramas in 2020 and the broadcasting and production schedule of its films and television series for 2021 are as follows:

No.	**Name**	**Genre**	**(Planned) Shooting commencement date**	**Status**
1	Alien Monster: Survival in the Wild（異星怪獸之荒野求生）	Internet movie	In August 2018	Broadcasted in March 2020
2	Breaking Gods（破神錄）	Internet movie	In June 2019	Broadcasted in April 2020
3	The Shark（陸行鯊）	Internet movie	In April 2019	Broadcasted in June 2020
4	Monster Hunters（鎮魂歌）	Internet movie	In December 2018	Broadcasted in July 2020
5	Ultimate Drift（極限漂移）(formerly known as "Drift on! Zhi"（漂移吧！小志）)	Internet movie	In August 2019	Broadcasted in October 2020
6	Healer of Children（了不起的兒科醫生）	Workplace drama	In January 2019	Broadcasted in November 2020
7	Rat Race（狂鼠列車）(formerly known as "Rat Disasters"（大鼠災）)	Internet movie	In May 2019	Broadcasted in January 2021
8	Legend of Immortality-Sword Maker（修仙傳之煉劍）(formerly known as "Sword Maker"（煉劍）)	Internet movie	In August 2019	Broadcasted in February 2021
9	Once Upon A Time In The Northeast（東北往事）	Youth nostalgic film	In March 2017	Submitted for Screening
10	The 101-200 episodes of The New Big Head Son and The Little Head Father（新大頭兒子小頭爸爸101-200集）	Situation comedy	In February 2019	Submitted for Screening

Management Discussion and Analysis

No.	Name	Genre	(Planned) Shooting commencement date	Status
11	Legend of Businessman in Hongjiang（一代洪商）	Historical story drama	In October 2018	Submitted for Screening
12	Twin Blades（尖鋒姐妹） (formerly known as（曆小龍與程序媛）)	Theatrical film	In May 2019	Submitted for Screening
13	Manhunt（極寒追惡）	Internet movie	In April 2020	Submitted for Screening
14	Blood Pledge for Thousands（血盟千年）	Historical story drama	In October 2019	At the release stage
15	Scream（驚聲尖笑）(formerly known as "Horror Blockbuster"（恐不大片）)	Internet movie	In November 2017	At the release stage
16	Here Comes Dashan（大山來了）	Youth nostalgic film	In December 2017	At the release stage
17	The Box（魔盒之高山流水） (formerly known as "Bosom Friend（高山流水）)	Internet movie	In July 2018	At the release stage
18	Kapok Blooms Everywhere（木棉花開紅爛漫）	Realistic dramas	In September 2018	At the release stage
19	The Tale of the Mythical Ferocious Animal（饕餮記）	Internet dramas	In October 2018	At the release stage
20	Tempering of King Gelsall（格薩爾王之磨煉）	Animated film	–	Submitted for approval
21	GO! REX（你好，霸王龍）	Animated film	In May 2017	Preparation for release

No.	Name	Genre	(Planned) Shooting commencement date	Status
22	Desperate Sniper（絕地狙殺）(formerly known as "Deadly Sniper 2"（致命狙殺2）)	Internet movie	In October 2020	Under post-production
23	Her Fantastic Adventures"（第二次初見）(formerly known as "Back To The Dynasty"（午門囧事）)	Internet dramas	In November 2020	Under filming
24	Assault（突擊）	Internet movie	In February 2021	Under filming
25	Emergency Rescuing（心跳營救）	Internet movie	To be determined	Preparing filming
26	King of Sniper（狙擊之王）	Internet movie	To be determined	Preparing filming
27	Tianta Crisis（天塔危機）	Theatrical film	To be determined	Preparing filming
28	Mystery Case in Ying Dynasty（大應奇案生死簿）	Internet movie	To be determined	Script finished
29	New Tong Pak Foo Dim Chau Heung（唐伯虎點秋香後傳）	Internet movie	To be determined	Script finished
30	Elderly Hero（遲暮英雄）	Internet movie	To be determined	Script finished
31	The First Undercover in the Southern Song Dynasty – The Case of Demon Cat（南宋第一臥底之妖貓案）	Internet movie	To be determined	Script finished
32	Amaranthine Epiphyllum（雙世曇花）	Internet movie	To be determined	Script finished

No.	Name	Genre	(Planned) Shooting commencement date	Status
33	Bulletproof Teacher (穿越火線： 防彈教師)	Internet dramas	The second half of 2021	Preparing filming
34	Shiny Days (雨過天晴雲開處)	Internet dramas	The second half of 2021	Preparing filming
35	The 201-300 episodes of The New Big Head Son and The Little Head Father (新大頭兒子小頭爸爸201-300集)	Situation comedy	To be determined	Preparing filming
36	Yangtze River Bridge (長江大橋)	Realistic dramas	To be determined	Preparing filming
37	Blood Valley of Wolves (殺出血狼谷)	Internet movie	To be determined	Preparing filming
38	Platinum Data (白金數據)	Internet dramas	To be determined	Preparing filming
39	Fiber (纖維)	Internet dramas	To be determined	Preparing filming
40	The Iron Bone and Steel Fist (鐵骨鋼拳)	Internet movie	To be determined	Preparing filming
41	The Day We Spent Together (一起混過的日子)	Internet movie	To be determined	Preparing filming
42	Wu Dang (天下武當)	Television drama	To be determined	Preparing filming

Directors and Senior Management Profile

The Board of Directors is responsible and has general powers for the management and conduct of the business. The Board currently consists of seven Directors, including four executive Directors, and three independent non-executive Directors. The following table sets forth information regarding members of the Board for the year ended 31 December 2020 and up to the date of this annual report:

Name	First Appointment Date
Executive Directors	
LIU Dong *(Chairman)*	24 February 2010
LIU Zongjun *(Chief Executive Officer)*	26 June 2012
CHEN Chen	24 September 2015
HE Han	8 November 2016
TAN Bin (resigned on 14 December 2020)	
Independent non-executive Directors	
LAM Kai Yeung	26 June 2012
LIU Chen Hong	18 April 2018
KWOK Pak Shing	27 March 2020
WANG Liangliang (resigned on 27 March 2020)	

Executive Directors

Mr. LIU Dong（劉東）, aged 52, is the Chairman of the Board and an executive Director appointed on 24 February 2010, and one of the Company's substantial shareholders. Mr. LIU has been with the Group since the acquisition of the equity interest of Zibo Yinshilai Textile Co., Ltd.（淄博銀仕來紡織有限公司）("**Yinshilai Textile**") by Zibo Yinshan Chemical Fiber Co., Ltd.（淄博銀杉化纖有限公司）("**Yinshan Chemical Fiber**") in June 2005. Mr. LIU is currently the legal representative and a director of Yinshilai Textile and was firstly appointed to such posts in September 2005. Mr. LIU was appointed as a Director on 24 February 2010. He is primarily responsible for overall business development, strategic planning and business development of the Group. Mr. LIU has accumulated more than 20 years of experience in the textile industry in the PRC, which can be traced back to 1996 when he was appointed as the general manager of Zibo Wanjie Fiber Co., Ltd.（淄博萬傑纖維有限公司）. Mr. LIU had served as a deputy general manager of Zibo Wanjie Group Co., Ltd.（淄博萬傑集團有限公司）, and subsequently as a director and general manager (between December 1998 and December 2001) and the chairman of the board of director (between December 2001 and November 2004) of Shandong Wanjie High-Tech Co. Ltd.（山東萬傑高科技股份有限公司）("**Wanjie High-Tech**"). Mr. LIU studied in College of Textile Engineering of Shandong（山東紡織工學院）majoring in management and subsequently obtained a master of business administration degree from the Chinese Academy of Social Science in November 1998.

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

Mr. LIU Zongjun(劉宗君), aged 50, is an executive Director appointed on 26 June 2012, and chief executive officer of the Company appointed on 1 April 2015. He joined the Group as assistant to the chairman of the board of directors, deputy general manager and manager of the human resources department of Yinshilai Textile since April 2010.

Mr. LIU is experienced in administrative management and has accumulated more than 20 years of experience in the textile industry. Between July 1993 and June 1994, Mr. LIU worked in the Shanghai office of Weifang Economic and Trade Centre(濰坊經濟貿易中心)governed by the Shandong Weifang Municipality Economic Committee(山東濰坊市經濟委員會). Between September 1994 and October 2004, Mr. LIU worked with Wanjie Group Co., Ltd. and held a series of positions including the role of executive in foreign economy and trade department of the Shanghai office, assistant to the general manager of Zibo Wanjie Fiber Co., Ltd.(淄博萬傑纖維有限公司)and assistant to the general manager and human resources manager of Wanjie High-Tech. Between October 2004 and April 2010, Mr. LIU served as general manager of Zibo Tianhao Weaving and Dyeing Co., Ltd(淄博天浩織染有限公司).

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

Ms. CHEN Chen（陳辰）, aged 41, is an executive Director appointed on 24 September 2015. Ms. CHEN has more than 10 years of experience in the field of finance and investment. From April 2006 to October 2011, Ms. CHEN served as a vice president of Haitong Securities Co., Ltd (Investment Banking Division, Shenzhen Branch). From November 2011 to May 2014, Ms. CHEN served as the vice president in charge of investment of the Shenzhen branch company of Haitong Kaiyuan Investment Company Limited（海通開元投資有限公司）. From June 2014 to November 2014, Ms. CHEN served as the assistant to the president and the finance controller of the Energy Management Contracting department of NVC Lighting (China) Co., Ltd. Ms. CHEN held position as a senior vice president of Beijing Ying Sheng Culture Investment Limited（北京瀛晟文化投資有限公司）from February 2015 to September 2015. Ms. CHEN studied German literature in the Beijing Foreign Studies University and obtained a master degree in business administration from the University of Mainz in Germany.

Mr. HE Han（何漢）, aged 49, is an executive Director appointed on 8 November 2016 and is an experienced filmmaker and a member of board of directors of the Beijing Film Academy. He has been the president of Beijing Starrise Pictures Co., Ltd.（北京星宏影視文化有限公司）(formerly known as Beijing Yingsheng Cultural Investments Co., Ltd.（北京瀛晟文化投資有限公司）) since October 2015. Beijing Starrise Pictures Co., Ltd. is a wholly-owned subsidiary acquired by the Company in July 2016. Prior to joining the Group, Mr. HE served as the vice president of CITIC Culture Media Group（中信文化傳媒集團）and the chief director of the planning division of Century Heroes Film Investment Co., Ltd.（世紀英雄電影投資有限公司）from 2001 to 2005. Mr. HE also acted as the general manager of Beijing Airmedia Corporation Limited（北京航美影視文化有限公司）, the president of Beijing Xinghe Lianmeng Entertainment Co., Ltd.（北京星河聯盟影視發行有限公司）and the publisher of the "Cinema World（電 影 世 界）" magazine between 2005 and 2015. Mr. HE graduated from the Beijing Film Academy with a Bachelor's degree in public service administration (film and television).

Mr. TAN Bin（譚彬）, aged 39, is an executive Director appointed on 8 November 2016 and has worked in the investment banking and capital markets sectors for many years, and is experienced in corporate financing and merger and acquisitions matters. He has been involved in numerous corporate finance projects. Mr. TAN joined the Group in August 2016 and is currently serving as a senior finance officer of the Group. Prior to joining the Group, he served as a director of Huatai Financial Holdings (Hong Kong) Limited（華泰金融控股（香港）有限公司）from 2015 to 2016. During the period from 2008 to 2014, he held several positions in BOC International Holdings Limited（中銀國際亞洲有限公司）including analyst, manager and associate director. Mr. TAN graduated from the Beijing University of Technology with a Bachelor's degree in applied physics. He has also obtained a Master's degree in telecommunication engineering and a Master's degree in digital communications from Monash University in Australia. Mr. TAN resigned as an executive Director with effect from 14 December 2020.

Independent non-executive Directors

Mr. LAM Kai Yeung（林繼陽）, aged 51, is a fellow of the Association of Chartered Certified Accountants（英國特許公認會計師公會）and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. LAM obtained a bachelor's degree in accounting from Xiamen University（廈門大學）in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010.

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

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

Ms. LIU Chen Hong（劉晨紅）, aged 54, has been an independent non-executive Director since 18 April 2018. She obtained a Master of Business Administration (MBA) degree from Pace University in New York in June 2000. Ms. Liu has over 20 years' of experience in the field of finance. She served as the chief representative at the Dalian Representative Office of Regent Express Inc.（美國雷鈞國際有限公司）between October 1990 and February 1994. Ms. LIU was the chairman of Xin Li Holding Group Corporation（美國鑫利控股集團有限公司）from June 1994 to December 2002. She subsequently took up the position of vice chairman at Eagle Sky Enterprise Limited（香港量子高科集團）between February 2003 and December 2011, and chairman at Quantum Hi-tech Group（香港天鷹企業有限公司）between February 2012 and June 2014. Ms. LIU has been serving as the chairman at T&C Corporate Consultants Limited（香港天呈企業顧問有限公司）since July 2014.

Mr. KWOK Pak Shing（郭柏成）, aged 36, has been an independent non-executive Director with effect from 27 March 2020. He obtained a bachelor degree of arts in business studies from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. KWOK has over 13 years of experience in accounting, auditing, financial management and corporate governance matters. Since September 2020, he serves as the chief financial officer of Times Neighborhood Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 9928). Mr. KWOK serves as the chief financial officer and a joint company secretary of Zensun Enterprises Limited (a company listed on the Main Board of the Stock Exchange, stock code:185) from July 2018 to September 2020. Mr. KWOK also worked as a company secretary and/or a financial controller for companies listed on the Stock Exchange from June 2013 to July 2018 and as an audit manager for an international accounting firm from July 2006 to June 2013.

Senior Management

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

Name	**Age**	**Positions within the Company**
TIAN Chengjie	52	Secretary to the Board
SONG Shuli	45	Chief Financial Officer
SUN Qiaoyun	51	Finance Controller

Mr. TIAN Chengjie（田成杰）, aged 52, is the secretary to the Board. Mr. TIAN has been a deputy general manager of Yinshilai Textile in March 2005. From May 2006 to August 2017, he had been a deputy general manager and a director of Huiyin Textile. Between June 2012 and September 2015, Mr. TIAN had been an executive Director and the secretary to the Board. He is primarily responsible for administration, planning and human resources of the Group. Mr. TIAN has accumulated more than 20 years of experience in the textile industry in the PRC. Mr. TIAN had worked with Zibo Wanjie Fiber Co., Ltd.（淄博萬傑纖維有限公司）since December 1993 and held a series of positions including the role of workshop manager, the head of the spinning department, the head of the quality control department, the head of the business administration bureau, and an assistant to the general manager, and subsequently with Zibo Wanjie Group Co., Ltd.（淄博萬傑集團有限公司）serving as the head of the business administration bureau. Between December 1996 and November 2004, Mr. TIAN held a series of positions including the role of director and supervisor of Wanjie High-Tech. Mr TIAN graduated from the College of Textile Engineering of Shandong（山東紡織工學院）in July 1990 majoring in chemical fiber studies and obtained a master of business administration degree from the Guanghua School of Management of the Peking University（北京大學光華管理學院）in May 2004. Mr. TIAN was awarded the second prize of the "Modern and Innovative and Excellent Application of Enterprises Management of the Shandong Province Award"（山東省企業管理現代化創新及優秀應用二等獎）by the Modern and Innovative Contribution of Enterprises Management of the Shandong Province Award Committee（山東省企業管理現代化創新成果評審委員會）in December 2010.

Mr. SONG Shuli（宋樹利）, aged 45, has been the Group's chief financial officer since July 2011 and is responsible for the Group's financial and accounting functions, and overseeing the financial reporting and accounting functions. Mr. SONG obtained a bachelor degree in laws from the Shandong Normal University（山東師範大學）in December 2009. Mr. SONG was qualified as a certified tax adviser, a qualified property valuer and a qualified accountant in China in September 2005, September 2005 and October 2005, respectively. Mr. SONG worked in a number of professional accounting firms in China prior to joining our Group.

Directors and Senior Management Profile

Ms. SUN Qiaoyun（孫巧雲）, aged 51, is the Group's finance controller. Ms. SUN joined the Group as the chief of the accounting and finance department of Yinshilai Textile in November 2004 and was appointed as a director of Yinshilai Textile in March 2006. Ms. SUN has accumulated more than 20 years of experience in finance and management which can be traced back to 1991 when she served as the manager of the finance department of Zibo Wanjie Fiber Co., Ltd.（淄博萬傑纖維有限公司）.

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

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

Company Secretary

Ms. CHAN Yin Wah（陳燕華）, aged 45, is an associate director of SWCS Corporate Services Group (Hong Kong) Limited. She has over 15 years of professional experience in handling corporate secretarial, compliance and share registry matters for listed companies in Hong Kong. She worked for various international professional firms and listed companies in Hong Kong. Ms. CHAN holds a Bachelor's degree in economics and a master's degree in professional accounting. She is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. She is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

The changes in information of the Directors since the date of the Interim Report of the Company for the six months ended 30 June 2020 which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

- Mr. KWOK Pak Shing (a) resigned as chief financial officer and joint company secretary of Zensun Enterprise Limited (a company listed on the Main Board of the Stock Exchange, stock code: 185); and (b) was appointed as chief financial officer of Times Neighborhood Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 9928), both with effect from 8 September 2020.

- Mr. TAN Bin resigned as an executive Director of the Company with effect from 14 December 2020.

Save as disclosed above, there is no other information of the Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report

Corporate Governance

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

For the year ended 31 December 2020, the Company had adopted and complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules. According to Code Provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Mr. Kwok Pak Shing ("**Mr. Kwok**") was appointed as an independent non-executive Director with effect from 27 March 2020. Due to insufficient time for the Company to issue a supplemental circular proposing Mr. Kwok to be re-elected at the extraordinary general meeting of the Company held on 9 April 2020 (the "**EGM**") and allow the Shareholders to have at least 10 business days to consider the supplementary information pursuant to the Listing Rules, Mr. Kwok was not subject to election by the Shareholders at the EGM but was re-elected at the annual general meeting of the Company held on 29 May 2020 according to the Company's articles of association.

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

Chairman and Chief Executive Officer

For the year ended 31 December 2020, the Company had adopted and complied with the Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. LIU Dong had been the chairman of the Company and Mr. LIU Zongjun had been the chief executive officer of the Company.

Board Diversity Policy

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

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

The Company commits to selecting the best person to be members of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on individual merits and the expected contributions that the selected candidates will bring to the Board. In recent years, the Company has focused on enhancing the diversity of the Board. Now, the Board consists of seven members, including two women (Ms. CHEN Chen and Ms. LIU Chen Hong), accounting for near one third of the Board members. Directors are aged from around 35 to 55 years old. In addition, the professional background of Directors has also changed from focusing on experiences relating to a single industry in the past to the diversified composition of Directors with backgrounds of various industries including finance (Ms. CHEN Chen and Mr. TAN Bin), and accounting (Mr. LAM Kai Yeung and Mr. KWOK Pak Shing). The Board's composition (including gender, age and length of service) will be reviewed and disclosed in the Corporate Governance Report annually.

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

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

Dividend Policy

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

Nomination Policy

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

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

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

Model Code for Securities Transaction by the Directors

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

The Board of Directors

Composition

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

Executive Directors:

LIU Dong *(Chairman)*
LIU Zongjun *(Chief Executive Officer)*
CHEN Chen
HE Han
TAN Bin (resigned on 14 December 2020)

Independent non-executive Directors:

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

The biographical details of each Director are set out in the section "Directors and Senior Management Profile" on pages 22 to 27.

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

Board meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such regular Board meetings do not involve the way of written resolutions approved by the Board. During the year ended 31 December 2020, four Board meetings, two Audit Committee meetings, one Nomination Committee meetings, one Remuneration Committee meetings, one EGM and annual general meeting ("**AGM**") were held and the attendance records of individual Directors are set out below:

	Directors' attendance/meetings held (for the year ended 31 December 2020)					
	Board of Directors	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**AGM**	**EGM**
Executive Directors						
LIU Dong *(Chairman)*	4/4	N/A	1/1	1/1	1/1	1/1
LIU Zongjun	4/4	N/A	N/A	N/A	1/1	1/1
CHEN Chen	4/4	N/A	N/A	N/A	1/1	1/1
HE Han	4/4	N/A	N/A	N/A	1/1	1/1
TAN Bin (resigned on 14 December 2020)	4/4	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors						
LAM Kai Yeung	4/4	2/2	N/A	N/A	1/1	1/1
LIU Chen Hong	4/4	2/2	1/1	1/1	1/1	1/1
KWOK Pak Shing (appointed on 27 March 2020)	4/4	2/2	1/1	1/1	1/1	1/1
WANG Liangliang (resigned on 27 March 2020)	–	–	–	–	–	–

During the year ended 31 December 2020 and up to the date of this annual report, there are three independent non-executive Directors in the Board and they represent over one third of the Board, and two of them, Mr. LAM Kai Yeung and Mr. KWOK Pak Shing have the appropriate professional qualifications under Rule 3.10(2) of the Listing Rules.

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

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

Responsibilities of the Board and management

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

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

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

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. The financial statements set out on pages 72 to 156 were prepared on the basis set out in note 1 to the Financial Statements. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The declaration of reporting responsibility issued by the external auditors of the Company on the Company's financial statements is set out in the Independent Auditors' Report on pages 66 to 71.

Material uncertainty related to going concern

Code provision C1.3 of the Corporate Governance Code stipulates that, unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis.

During the Year, the Group incurred a net loss of approximately RMB282,212,000. The Group defaulted on redemption of convertible bonds on 28 February 2021 and plans to partially redeem the bonds and allow transfer the remaining bonds to an existing shareholder of the Company. Nevertheless, the Group still has bank loans of approximately RMB35,500,000 and other borrowings of approximately RMB36,374,000 which are due for repayment during the period from April to December 2021, whilst the Group has only cash and bank balances of approximately RMB11,639,000 as at 31 December 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of the above circumstances, the Company has implemented certain measures to manage its liquidity needs and improve its financial position, inter alia: (a) continue to pay close attention to the film and television media industry and make good use of its resources with the aim to attain positive and sustainable cash flow from operations; (b) put extra efforts on collecting its trade and other receivables and procuring the distribution of the drama series and films; and (c) discuss with its lenders to timely renew or extend its existing bank loans and other borrowings.

For the period ended 25 March 2021, the Group has collected other receivables in relation to disposal of subsidiaries of HKD138 million. In addition, the Group partially redeemed the 2017 CB, and has substantially agreed with the bondholder on the extension and transfer of remainder of the 2017 CB to an existing shareholder of the Company, with terms subject to the entering into of a legally binding agreement between the relevant parties.

Accordingly, the Directors, having reviewed the Group's 12-month cash flow projection and considered the aforementioned measures, are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. The Audit Committee, having considered the Directors' view, agreed on the Directors' position and express no further comments on the view of the external auditors of the Company (the "**Auditor**") towards to material uncertainty as to going concern.

Should the Group be unable to continue in business as a going concern, adjustments would have been made to restate the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements and the Auditor's opinion is not modified in respect of this matter. For further details, please refer to the paragraph "Material uncertainty relating to going concern basis" of the Independent Auditor's Report and note 1(b) of the consolidated financial statements.

Save as disclosed above, there are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Confirmation of independence

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

Continuous professional development

During the year ended 31 December 2020, all Directors, including, Mr. LIU Dong, Mr. LIU Zongjun, Ms. CHEN Chen, Mr. HE Han, Mr. LAM Kai Yeung, Ms. LIU Chen Hong, and Mr. KWOK Pak Shing have been given relevant guidance materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. Continuing briefings and professional development to all Directors will be arranged whenever necessary.

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

Independent non-executive Directors

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

In accordance with the Articles of Association, at each AGM, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. Such retiring Directors may, being eligible, offer themselves for re-election at the AGM. All Directors appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Nomination Committee

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

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

During the year ended 31 December 2020, one Nomination Committee meeting was held. The Nomination Committee meeting was held on 27 March 2020 to, inter alia, review the structure, size and composition of the Board and the independence of independent non-executive, review and confirm the effectiveness of the Company's board diversity policy and Nomination Policy, discuss the matters regarding retirement and re-election of Directors as well as consider and recommend the appointment of Mr. KWOK Pak Shing as an independent non-executive Director to fill the vacancy following the resignation of Mr. WANG Liangliang as an independent non-executive Director.

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

Remuneration Committee

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

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

Pursuant to paragraph B.1.5 of the Code Provisions, the annual remuneration of the numbers of the senior management (including Directors) for the Year is set out below:

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

Details of remuneration of Directors are set out in note 7 to the financial statements. No Director has waived or agreed to waive any emoluments during the year ended 31 December 2020 (2019: nil).

During the year ended 31 December 2020, one meeting was held by the Remuneration Committee. The Remuneration Committee meeting was held on 27 March 2020 for, inter alia, reviewing the overall remuneration policy and structure relating to all Directors and senior management of the Group.

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

Audit Committee

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

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

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

During the year ended 31 December 2020, two meetings were held by the Audit Committee. The Audit Committee meetings were held on 27 March 2020 and 28 August 2020, respectively, and all the members of Audit Committee during the relevant period had attended the meetings.

During the year ended 31 December 2020, the Board has not taken a different view from the Audit Committee on the selection, appointment, resignation or dismissal of external auditors.

Corporate Governance Functions

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

Auditor's Remuneration

During the Year, the Company engaged KPMG as the external auditors. The fees charged by KPMG for the year ended 31 December 2020 amounted to approximately RMB1.98 million, all of the fees are charged for audit services for the Group.

The reporting responsibilities of KPMG are set out in the Independent Auditors' Report on pages 66 to 71.

Company Secretary

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

Risk Management and Internal Controls

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

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

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

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

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

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

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

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

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

During the Year, the Board has reviewed once during the Board meeting held on 27 March 2020 the effectiveness and efficiency of the implementation of its risk management and internal control systems, which covered all material financial, operational and compliance control and risk management. The Company considered them effective and adequate.

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

The Board considers that the Group was able to maintain established and effective risk management and internal control systems during the year ended 31 December 2020.

Shareholders' Rights

The Shareholders may make requisition for the convening of an EGM of the Company in accordance with the procedures set out in the Articles of Association as follows:

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

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

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

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

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

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

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

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

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

Investor Relations and Communication

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

The Company updates its shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. Extensive information about the Company's activities for the year ended 31 December 2020 has been provided in this annual report. While the AGM provides a valuable forum for direct communication between the Board and its shareholders, the Company also maintains its website (http://www.starrise.cn) to provide an alternative communication channel for the public and its shareholders. All corporate communication and Company's latest updates are available on the Company's website for public's information.

During the year ended 31 December 2020, there has been no significant change in the Company's constitutional document.

Report of the Directors

The Directors have pleasure in presenting their directors' report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "**Financial Statements**").

Principal Activities

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

Use of Proceeds

In February 2017, the Company issued convertible bonds (the "**2017 CB**") under specific mandate to Dragon Capital. The net proceeds of which were intended to be used for the production of certain television drama series of the Group. As of 31 December 2020, the Company has used the proceeds of HKD295.35 million for the above disclosed purpose (as of 31 December 2019: approximately HKD261.35 million), of which the proceeds used in 2020 was approximately HKD34.0 million. For further details, please refer to the announcements of the Company in relation to the 2017 CB in year of 2016, 2017, 2019, and 2020 respectively, and the circular dated 17 January 2019, 20 March 2019, and 24 March 2020 and the 2019 annual report.

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

Title	**Theme**	**Status**	**Amount to be allocated** (approximate HK$' million)	**Percentage of the net proceeds from the initial issuance of the Bonds** (approximate %)	**Actual amount used/spent as at 31 December 2020** (approximate HK$' million)
The Alarm of Xibaipo (西柏坡的警鐘, formerly known as "The Echoes of Xibaipo" (西柏坡的回聲))	Epic television drama based on revolution history	Submitted for screening	38.00	12.87%	38.00
Detective He (神探鶴真人)	Internet drama	Broadcasted	0.70	0.24%	0.70
The Heavenly Emperor 1 and 2 (御天神帝1、2)	Mythical fantasy internet drama	Broadcasted	1.80	0.61%	1.80
The Heavenly Emperor 3 and 4 (御天神帝3、4)	Mythical fantasy internet drama	Broadcasted	2.35	0.80%	2.35
Us and Them (後來的我們)	Urban emotional film	Broadcasted	5.30	1.79%	5.30
Hello My Dog (監獄犬計劃)	Comedy film	Broadcasted	3.80	1.29%	3.80
Once upon a Time in the Northeast (東北往事)	Youth nostalgic film	Submitted for screening	4.50	1.52%	4.50
Here Comes Dashan (大山來了)	Youth nostalgic film	At the release stage	0.70	0.24%	0.70
Scream (驚聲尖笑, formerly known as "Horror Blockbuster" (恐不大片))	Internet movie	At the release stage	2.35	0.80%	2.35
The Family in That City (那座城，這家人)	Realistic drama	Broadcasted	29.00	9.82%	29.00
Mystic Kitchen 1 (如意廚房1)	Internet movie	Broadcasted	0.40	0.14%	0.40
Mystic Kitchen 2 (如意廚房2)	Internet movie	Broadcasted	0.60	0.20%	0.60
Oh, My Honey! (甜心軟糖)	Internet movie	Broadcasted	0.95	0.32%	0.95

Title	Theme	Status	Amount to be allocated (approximate HK$' million)	Percentage of the net proceeds from the initial issuance of the Bonds (approximate %)	Actual amount used/spent as at 31 December 2020 (approximate HK$' million)
Alien Monster: Survival in the Wild (異星怪獸之荒野求生)	Internet movie	Broadcasted	3.00	1.02%	3.00
Lipstick Princess (唯美貌不可辜負)	Internet drama	Broadcasted	5.40	1.83%	5.40
Soulmate (七月與安生)	Internet drama	Broadcasted	14.00	4.74%	14.00
Legend of Taotie (饕餮記)	Internet drama	At the release stage	24.00	8.13%	24.00
Monster Hunters (鎮魂歌)	Internet movie	Broadcasted	9.50	3.22%	9.50
In Broad Daylight (光天化日)	Theatrical film	Submitted for screening	6.00	2.03%	6.00
Legend of Businessman in Hongjiang (一代洪商)	Historical story drama	Submitted for screening	120.00	40.63%	120.00
Bulletproof Teacher (穿越火線)	Internet drama	Preparing script	1.00	0.34%	1.00
Her Fantastic Adventures (第二次初見，formerly known as "Back To The Dynasty" (午門囧事))	Internet drama	Under filming	21.99	7.45%	21.99
Total			295.35	100%	295.35

As shown above, the proceeds have been fully utilised as at 31 December 2020.

Results and Appropriations

The results of the Group for the year ended 31 December 2020 and the state of affairs of the Group as at 31 December 2020 are set out in the consolidated financial statements on pages 72 to 156.

Having considered that the Group's financial situation for the year ended 31 December 2020, the Board does not recommend the payment of a final dividend for the year ended 31 December 2020. At this point, the Board is committed to the further development of the Company in the coming years, in order to get a better return for the Shareholders.

5-year Financial Summary

A summary of the results and assets and liabilities of the Group for the last 5 financial years ended 31 December 2016 to 31 December 2020 is set out on page 6. This summary does not form part of the Financial Statements.

Share Capital

Details of movements in share capital of the Company during the Year are set out in note 25 to the Financial Statements.

Share Option Scheme

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

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

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

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

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

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

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

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

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

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

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

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 80,000,000 shares, which represents 4.86% of the shares in issue of the Company as at the date of this annual report.

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

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

Apart from the aforesaid share option schemes, at no time during the year ended 31 December 2020 was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such right.

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

At no time during the year ended 31 December 2020 which the Company, its subsidiaries, its associate, its fellow subsidiaries or its holding company was a party to any arrangements in order to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other legal entities.

Distributable Reserves

The Company was incorporated in the Cayman Islands on 24 February 2010. As at 31 December 2020, the Company had distributable reserves of approximately RMB870.7 million available for distribution to the Shareholders.

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for approximately 93% of the total sales for the Year and sales to the largest customer included therein accounted for approximately 54% thereof. Purchases from the Group's five largest suppliers accounted for approximately 66% of the total purchases for the Year and purchases from the largest supplier included therein accounted for approximately 24% thereof.

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

Subsidiaries and Associated Companies

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

Property, Plant and Equipment and Leasehold Land

During the Year, the Group did not have capital expenditure which was mainly used for acquisition of property, machinery and equipment (2019: approximately RMB32.1 million). The details of the changes in the properties, plant and equipment and leasehold land of the Group during the Year are set out in note 11 to the Financial Statements.

Borrowings

Particulars of borrowings of the Group as at the end of the reporting period are set out in notes 21 and 22 to the Financial Statements. As at 31 December 2020, the Group did not have any machinery and equipment pledged to bank as securities for the bank borrowings (2019: Nil) and no machinery and equipment were held under finance lease (2019: Nil).

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

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors

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

LIU Dong *(Chairman)*
LIU Zongjun *(Chief Executive Officer)*
CHEN Chen
HE Han
LAM Kai Yeung
LIU Chen Hong
KWOK Pak Shing (appointed as an independent non-executive director with effect from 27 March 2020)
TAN Bin (resigned as an executive Director with effect from 14 December 2020)*
WANG Liangliang (resigned as an independent non-executive Director with effect from 27 March 2020)**

* Details regarding Mr. TAN's resignation are set out in the Company's announcement dated 14 December 2020
** Details regarding Mr. WANG's resignation are set out in the Company's announcement dated 27 March 2020

Directors and Directors' Service Contracts

Executive Directors

Each of Mr. LIU Dong and Mr. LIU Zongjun has renewed the service contract with the Company for a term of three years commencing on 12 April 2021. Ms. CHEN Chen has renewed the service contract with the Company for a term of three years commencing on 24 September 2018. Mr. HE Han has renewed the service contract with the Company for a term of three years commencing on 8 November 2019. Mr. TAN Bin resigned as the executive Director with effective from 14 December 2020.

Independent non-executive Directors

Ms. LIU Chen Hong has renewed the letter of appointment with the Company for a term of three years commencing on 18 April 2021. Mr. LAM Kai Yeung has renewed the letter of appointment with the Company for a term of three years commencing on 26 June 2018. Mr. KWOK Pak Shing has entered into a letter of appointment with the Company for a term of three years commencing on 27 March 2020. Mr. WANG Liangliang resigned as the independent non-executive Director with effect from 27 March 2020.

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

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

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

Biographies of Directors and Senior Management

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Directors and Senior Management Profile" on pages 22 to 27 of this annual report.

Non-competition Undertaking by Controlling Shareholders

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

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

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

As at 31 December 2020, the Directors and chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Name of Directors	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Mr. LIU Dong *(Note 3)*	The Company	Interest of a controlled corporation	307,809,902 shares (L)	21.72%
Mr. HE Han	The Company	Beneficial owner	13,998,000 shares (L)	0.99%

Notes:

1. The letter "L" denotes the Directors' long position in the shares or the relevant associated corporation.
2. Total issued share of the Company as at 31 December 2020 is 1,416,911,818.
3. The shares are held by Excel Orient Limited which is a company incorporated in the British Virgin Islands ("**BVI**") and the entire issued capital of which is beneficially owned by Mr.LIU Dong, one of the executive Directors of the Company.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

Interest Discloseable under the SFO and Substantial Shareholders

As at 31 December 2020, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Name of Group member/ associated corporation	Capacity/nature of interest	Interest in shares and underlying shares *(Note 1)*	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding
Cinedigm Corp. *(Note 2)*	The Company	Beneficial owner	–	366,590,397 (L)	25.87%
Excel Orient Limited *(Note 3)*	The Company	Beneficial owner	–	307,809,902 (L)	21.72%
Ms. WANG Lingli *(Note 4)*	The Company	Interests of spouse	–	307,809,902 (L)	21.72%
Aim Right Ventures Limited ("**Aim Right**") *(Note 5)*	The Company	Beneficial owner	–	202,472,656 (L)	14.29%
Mr. LIU Zhihua *(Note 5)*	The Company	Interests of a controlled corporation	–	202,472,656 (L)	14.29%
Ms. ZOU Guoling *(Note 6)*	The Company	Interests of spouse	–	202,472,656 (L)	14.29%
Emerge Ventures Limited *(Note 7)*	The Company	Beneficial owner	–	171,926,000 (L)	12.13%
Mr. JIN Peng *(Note 7)*	The Company	Interests of a controlled corporation	–	171,926,000 (L)	12.13%

Name of Shareholders	Name of Group member/ associated corporation	Capacity/nature of interest	Interest in shares and underlying shares *(Note 1)*	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding
Ms. SHEN Si *(Note 8)*	The Company	Interests of spouse	–	171,926,000 (L)	12.13%
Dragon Capital Entertainment Fund One LP *(Note 9 and 10)*	The Company	Beneficial owner	135,135,135 (L)	–	9.54%
Dragon GP Partner Co *(Note 9)*	The Company	Interests of a controlled corporation	135,135,135 (L)	–	9.54%
Mr. ZHAI Jun *(Note 9)*	The Company	Interests of a controlled corporation	135,135,135 (L)	–	9.54%
China Huarong International Holdings Limited *(Note 10 and 11)*	The Company	Interests of a controlled corporation	135,135,135 (L)	–	9.54%
Huarong Real Estate Co. Ltd. *(Note 11 and 12)*	The Company	Interests of a controlled corporation	135,135,135 (L)	–	9.54%
China Huarong Asset Management Co., Ltd. *(Note 12 and 13)*	The Company	Interests of a controlled corporation	135,135,135 (L)	–	9.54%
Ministry of Finance of the PRC *(Note 13)*	The Company	Interests of a controlled corporation	135,135,135 (L)	–	9.54%

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. Cinedigm Corp. is a company registered in Delaware with its Class A Common Stock listed on the NASDAQ Global Market with stock code: CIDM.

3. 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.

4. 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.

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

6. 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.

7. 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.

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

9. Pursuant to the terms of the convertible bonds issued to Dragon Capital on 28 February 2017, assuming the conversion rights attached to the convertible bonds are exercised in full at the conversion price of HKD1.21 per conversion share, 247,933,884 new Shares will fall to be issued to Dragon Capital. On 5 February 2018, the conversion price is adjusted to HKD0.74 per conversion share. On 25 February 2019, Dragon Capital transferred the convertible bonds in the principal amount of HKD120,000,000 (the "**BeiTai Bonds**"), which were convertible into 162,162,162 ordinary shares at the conversion price of HKD0.74 per share, to BeiTai Investment LP ("**BeiTai**"). On the same date, BeiTai exercised the conversion rights to convert the bonds at the conversion price of HKD0.74 per share. On 13 November 2019, Dragon Capital transferred the convertible bonds in the principal amount of HKD60,000,000 (the "**Skyland Circle Bonds**"), which were convertible into 81,081,081 ordinary shares at the conversion price of HKD0.74 per share, to Skyland Circle Technology Limited ("**Skyland Circle**"). As at 14 December 2020, the Company, pursuant to the terms and conditions of the convertible bonds and as agreed between the Company and Skyland Circle, early redeemed the Skyland Circle Bonds in full. On 24 April 2020, Dragon Capital transferred the convertible bonds in the principal amount of HKD20,000,000 (the "**BeiTai Transferred Bonds**"), which were convertible into 27,027,027 ordinary shares at the conversion price of HKD0.74 per share, to BeiTai. Assuming the conversion rights attached to the remaining convertible bonds in the principal amount of HKD100,000,000 held by Dragon Capital (the "**Dragon Capital Bonds**") are exercised in full at the conversion price of HKD0.74 per Share, 135,135,135 new Shares will fall to be issued to Dragon Capital.

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

   Dragon Capital is an exempted limited partnership registered in the Cayman Islands, and is a fund established by Dragon GP Partner Co. as general partner of Dragon Capital. Dragon GP Partner Co. is wholly owned by Mr. ZHAI Jun. By virtue of the SFO, Mr. ZHAI Jun is deemed to be interested in all the Shares which Dragon GP Partner Co. is interested in.

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

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

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

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

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

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

On 25 February 2019, Dragon Capital transferred part of the 2017 CB with an aggregate principal amount of HK$120,000,000 to BeiTai. The BeiTai Bonds could convertible into 162,162,162 Shares at the conversion price of HK$0.74 per conversion share. On the same date, BeiTai exercised the conversion rights to convert all of the BeiTai bonds into Shares.

On 28 February 2019, the Company and Dragon Capital conditionally agreed (upon the approval and ratification of the Shareholders) to extend the maturity date of the remaining convertible bonds with an aggregate principal amount of HK$180,000,000 from 28 February 2019 to 28 February 2020. On 8 April 2019, Shareholders approved the extension of the maturity date of the remaining convertible bonds to 28 February 2020.

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

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

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

For further details, please refer to the announcements of the Company in relation to the 2017 CB in year of 2016, 2017, 2019 and 2020 respectively, and the circular of the Company dated 17 January 2019, 20 March 2019, and 24 March 2020, and the 2020 annual report.

If all outstanding convertible bonds as at 31 December 2020 were converted, the dilutive impact on the then number of issued shares of the Company and the respective shareholdings of the substantial shareholders of the Company will be as follows:

	As at the date of 31 December 2020		Immediately after the full conversion of the Dragon Capital Bonds at the conversion price of HKD0.74		Immediately after the full conversion of the BeiTai Transferred Bonds at the conversion price of HKD0.74		Immediately after the full conversion of the all convertible bonds at the conversion price of HKD0.74	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Non-public Shareholders								
Cinedigm Corp.	366,590,397	25.87	366,590,397	23.62	366,590,397	25.39	366,590,397	23.22
Excel Orient Limited	307,809,902	21.72	307,809,902	19.83	307,809,902	21.32	307,809,902	19.49
Aim Right Ventures Limited	202,472,656	14.29	202,472,656	13.05	202,472,656	14.02	202,472,656	12.82
Emerge Ventures Limited	171,926,000	12.13	171,926,000	11.08	171,926,000	11.91	171,926,000	10.89
He Han	13,998,000	0.99	13,998,000	0.90	13,998,000	0.97	13,998,000	0.89
Public Shareholders	354,114,863	25.00	354,114,863	22.82	354,114,863	24.52	354,114,863	22.43
Dragon Capital Entertainment Fund One LP	–	–	135,135,135	8.71	–	–	135,135,135	8.56
BeiTai Investment LP	–	–	–	–	27,027,027	1.87	27,027,027	1.71
Total	1,416,911,818	100.00	1,552,046,953	100.00	1,443,938,845	100.00	1,579,073,980	100.00

In the event that all outstanding convertible bonds were converted as at 31 December 2020, the dilution impact on the basic earnings per share is as follows:

	As of 31 December 2020 RMB'000/ '000 shares
Loss attributable to ordinary equity shareholders	(281,258)
After tax effect of gains recognised on the derivative component of convertible bonds	(113,266)
After tax effect of gains recognised on the change in carrying amount of convertible bonds as non-substantial modification of the terms	(13,206)
After tax effect of effective interest on the liability component of convertible bonds	20,745
After tax effect of foreign exchange gains arising on translation of convertible bonds	(6,245)
Loss attributable to ordinary equity shareholders (diluted)	(393,230)
Weighted average number of ordinary shares	1,416,912
Effect of conversion of convertible bonds	162,162
Weighted average number of ordinary shares (diluted)	1,579,074
Basic loss per share (RMB cents)	(19.85)
Diluted loss per share (RMB cents)	(24.90)

On 19 January 2021, the Company issued Jinbi Market (Hong Kong) Limited ("**Jinbi Market**") 101,137,134 new shares under general mandate (the "**2021 Issuance**") pursuant to the subscription agreement dated 5 January 2021 entered into between the Company and Jinbi Market, which resulted in adjustments to conversion price of the 2017 CB to HKD0.156 per conversion share. For details of the 2021 Issuance and the adjustment of conversion price, please refer to the announcements of the Company dated 5 January 2021 and 19 January 2021.

On 25 February 2021, BeiTai exercised the conversion rights to convert all of the BeiTai Transferred Bonds at the conversion price of HKD0.156 per conversion share into 128,205,128 new Shares. For details of the conversion, please refer to the announcement of the Company dated 25 February 2021.

If all outstanding convertible bonds (the "**Remaining Bonds**") as at the date of this report (being all of the Dragon Capital Bonds) are converted, the dilutive impact on the then number of issued shares of the Company and the respective shareholdings of the substantial shareholders of the Company will be as follows:

	As at the date of this report		**Immediately after the full conversion of the all outstanding convertible bonds at the adjusted conversion price of HKD0.156**	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Non-public Shareholders				
Cinedigm Corp.	366,590,397	22.27	366,590,397	16.03
Excel Orient Limited	307,809,902	18.70	307,809,902	13.46
Aim Right Ventures Limited	202,472,656	12.30	202,472,656	8.85
Emerge Ventures Limited	171,926,000	10.44	171,926,000	7.52
He Han	13,998,000	0.85	13,998,000	0.61
Bondholders				
Dragon Capital Entertainment Fund One LP	–	–	641,025,641 *(Note)*	28.03 *(Note)*
Public Shareholders				
BeiTai Investment LP	128,205,128	7.79	128,205,128	5.61
Jinbi Market (Hong Kong) Limited	101,137,134	6.14	101,137,134	4.42
Other Public Shareholders	354,114,863	21.51	354,114,863	15.48
Total	1,646,254,080	100.00	2,287,279,721	100.00

Note: For illustration purposes only, as pursuant to the terms and conditions of the outstanding convertible bonds, the Bondholders' right to convert the convertible bonds into Shares is subject to the extent that following such exercise, (i) a Bondholder and parties acting in concert with it, directly or indirectly, control or be interested in not more than 19.9% of the entire issued share of the Company, or less than such percentage as may from time to time be specified in the Code on Takeovers and Mergers as being the level for triggering a mandatory general offer (whichever is lower); or (ii) the Company will not be in breach of the minimum public float requirement as may from time to time be specified in the Listing Rules.

To the best of the Directors' knowledge, having made all reasonable enquiries, having considered the financial position of the Group and the ongoing negotiations regarding the Potential Extension, the Directors expect that the Company will be able to meet its redemption obligations under the Remaining Bonds when they become due.

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

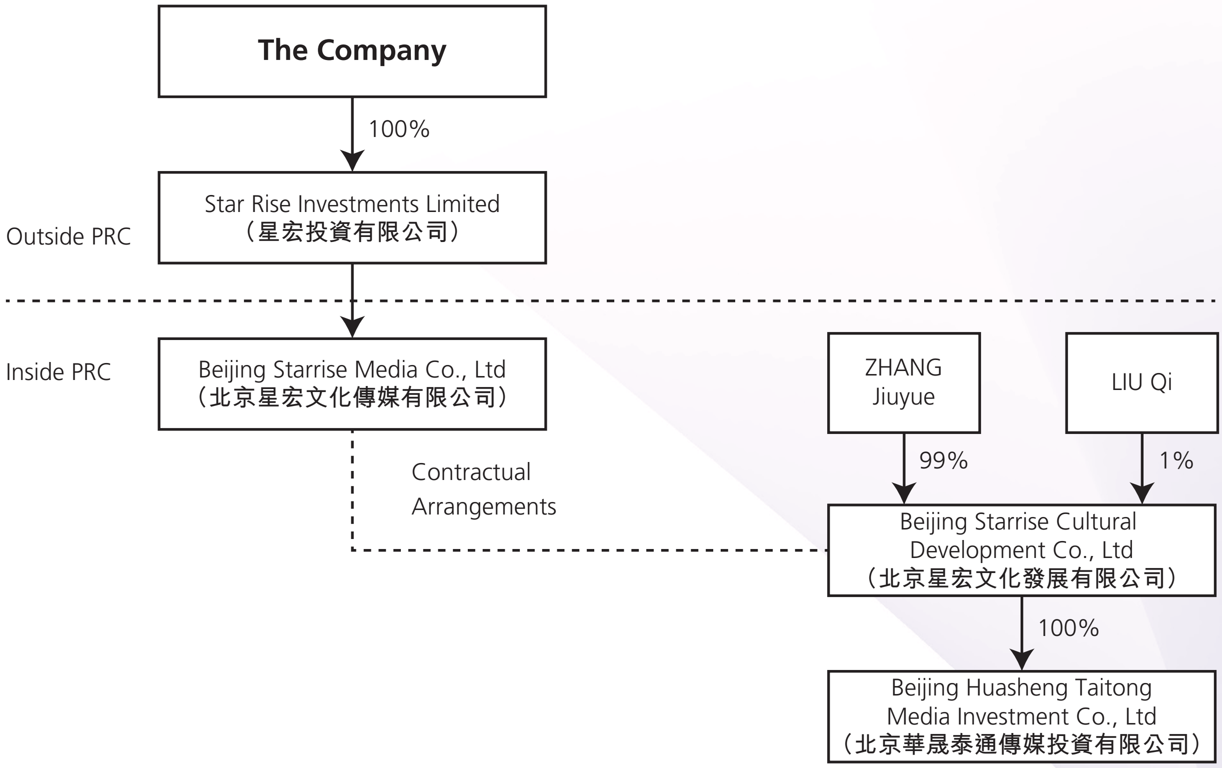
Contractual Arrangements

The Huasheng Media Contractual Arrangements (as defined hereinafter) and the Starrise Pictures Contractual Arrangement (as defined hereinafter) (together with Huasheng Media Contractual Arrangements, the "**Contractual Arrangements**") had been effective during the year ended 31 December 2020. The brief description of the major terms of the structured contracts under the Contractual Arrangements are as follows:

The Contractual Arrangements of Huasheng Media

1. Diagram of the Contractual Arrangements

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



2. Structured Contracts of Huasheng Media

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

(1) Exclusive Technology Support and Services Agreement 2015

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

(2) Exclusive Option Agreement 2015

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

(3) Equity Pledge Agreement 2015

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

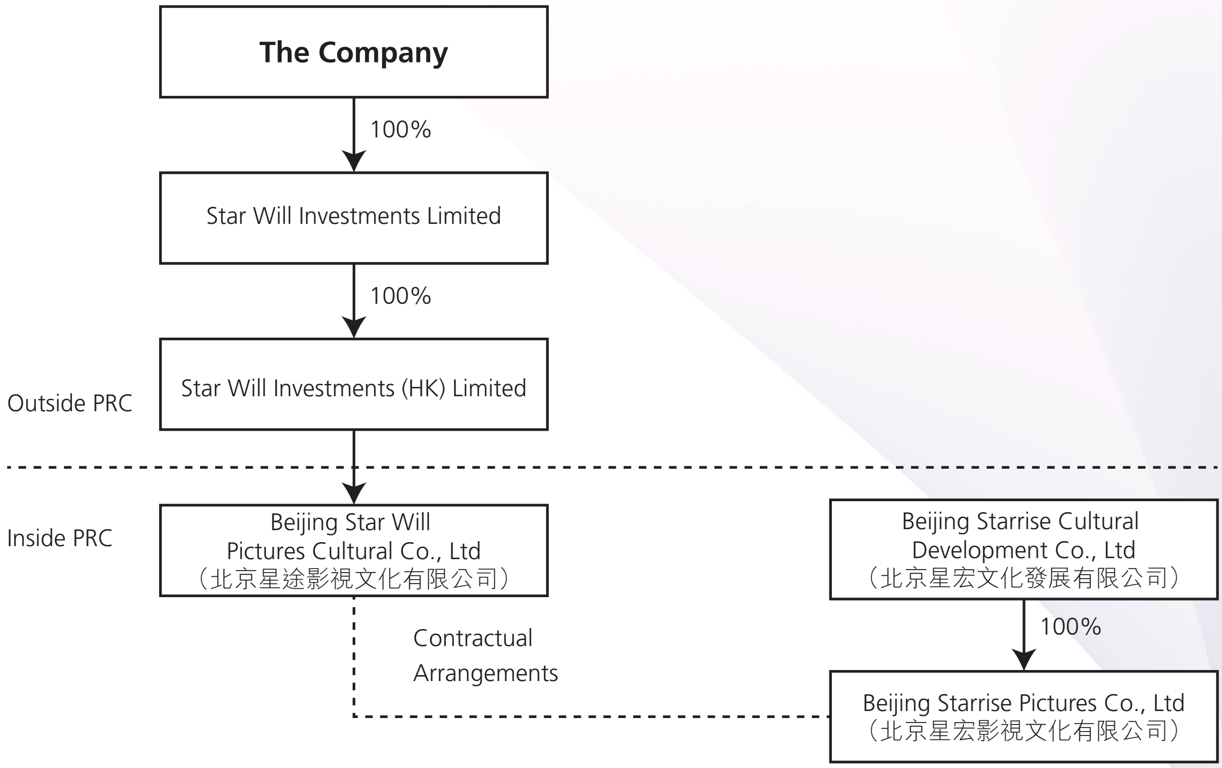
(4) Power of Attorney 2015

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

The Contractual Arrangements of Starrise Pictures

1. Diagram of the Contractual Arrangements

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



2. Structured Contracts of Starrise Pictures

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

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

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

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

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

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

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

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

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

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

Apart from the above, there are no new contractual arrangements entered into, renewed or reproduced between the Group, Huasheng Media and Starrise Pictures during the year ended 31 December 2020. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2020.

During the year ended 31 December 2020, none of the structured contracts mentioned above has been unwound as none of the restrictions that led to the adopted of structured contracts under the Contractual Arrangements has been removed.

Particulars of the PRC Operational Entities as at 31 December 2020:

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

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

The revenue and the total asset of the PRC Operational Entities subject to the Contractual Arrangements amounted to approximately RMB94.1 million for the year ended 31 December 2020 and approximately RMB1,308.6 million as at the year ended 31 December 2020.

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

Risks Relating to the Contractual Arrangements

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

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

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

The Contractual Arrangements may not be as effective as direct ownership

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

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

Reasons for and Benefits of the Contractual Arrangements

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

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

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

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

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

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

Settlement of Potential Dispute Arising from the Contractual Arrangements

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

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

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

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

Arrangements to Address Potential Conflicts of Interests

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

Internal Control Measures

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

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

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

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

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

Connected Transactions

The Company had not entered into any non-exempt connected transactions during the Year, which is required to be disclosed under the Listing Rules. Related party transactions entered into by the Group during the year ended 31 December 2020, which do not constituted as any non-exempt connected transactions that are required to be disclosed under the Listing Rules, are set out in note 28 to the Financial Statements.

Competition and Conflict of Interests

During the year ended 31 December 2020, save as disclosed in the Prospectus of the Company dated 29 June 2012, none of the Directors or substantial Shareholders or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Permitted Indemnity Provision

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

Directors' Material Interests in Transactions, Arrangement or Contracts

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

Equity-Linked Agreements

Other than the share option scheme of the Company as well as the issue of convertible bonds of the Company disclosed in the paragraph of "Use of Proceeds" in the Report of the Director on pages 39 to 41, no equity-linked agreements were entered into by the Company during the Year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

Tax Relief and Exemption

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

Pre-Emptive Rights

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

Sufficiency of Public Float

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

Corporate Governance Report

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 28 to 38 in this annual report.

Business Review

Overview

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

Principal Risks and Uncertainties

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

Important Events after the Reporting Period

The important events after the reporting period of the Group are detailed in the events after the reporting period under the Management Discussion and Analysis on page 16 of this annual report. The report constitutes a part of this Report of the Directors.

Future Development

The future developments of the Group are detailed in the Management Discussion and Analysis on pages 17 to 21 of this annual report. The report constitutes a part of this Report of the Directors.

Key Performance Indicators

The key performance indicators are detailed in the financial review under Management Discussion and Analysis on pages 9 to 16 of this annual report. The financial review constitutes a part of this Directors' Report.

Environmental Policies and Performance

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

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

Compliance with Laws and Regulations

During the year ended 31 December 2020, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it. In addition to complying with basic laws and regulations such as the Company Law and the Listing Rules, the Group has also complied with the regulations of the film and television industry, including the Regulations on the Administration of Radio and Television, the Regulations on the Operation and Management of Radio and Television Production, and the Measures on Accounting for Film Enterprises.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 24 May 2021.

Relationships with Employees

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

Relationships with Customers and Suppliers

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

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

Annual general meeting

The AGM will be held on Friday, 28 May 2021. Shareholders should refer to details regarding the AGM in the circular of the Company to be dispatched in April 2021 and the notice of the AGM and form of proxy accompanying thereto.

Auditor

The financial statements for the year ended 31 December 2020 have been audited by KPMG, which retires and, being eligible, offers itself for re-appointment at the forthcoming AGM. A resolution to re-appoint KPMG and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM. There was no change in the auditor of the Company in the past three financial years.

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

Beijing, the PRC
25 March 2021

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Starrise Media Holdings Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 72 to 156, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1(b) to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB282,212,000 for the year ended 31 December 2020. The Group defaulted on redemption of convertible bonds on 28 February 2021 and plans to partially redeem the bonds and transfer the remaining bonds to an existing shareholder of the Company. Nevertheless, the Group still has bank loans and other borrowings amounting to RMB35,500,000 and RMB36,374,000, respectively, which are due for repayment during the period from April to December 2021. The Group's cash and bank balances only amounted to RMB11,639,000 as at 31 December 2020. As stated in note 1(b), these events or conditions, along with other matters set forth in note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Timing of revenue recognition: licensing income from drama series and films
Refer to note 3 to the consolidated financial statements and the accounting policies on page 96.

The Key Audit Matter	How the matter was addressed in our audit
Revenue from licensing of the Group's drama series and films is recognised when the Group transfer control over the drama series and films to customers in accordance with the terms of the relevant licensing contracts. The Group's drama series and films licensing contracts with customers, which principally comprise various owners of television channels and networks, have a variety of terms relating to acceptance of the drama series and films and the right of return of the master tapes for the drama series and films. Such terms may affect the timing of the recognition of licensing income from customers. The Group evaluates the terms of individual contracts in order to determine the appropriate timing for revenue recognition. We identified the timing of revenue recognition from the licensing of drama series and films as a key audit matter because each contract with customers may have different terms and conditions and there is a risk that revenue may be recognised in the incorrect accounting period and also because revenue is one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could be subject to manipulation to meet expectations or targets.	Our audit procedures to assess the timing of revenue recognised from the licensing of drama series and films included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of the key internal controls in relation to revenue recognition; • inspecting key licensing contracts to identify key terms and conditions, including the customer's acceptance of the drama series and films and the right of return, and assessing the Group's accounting policies for the recognition of revenue with reference to the requirements of the prevailing accounting standards; • inspecting underlying documentation for manual journal entries raised during the reporting period relating to revenue which met specific risk-based criteria; • comparing, on a sample basis, revenue transactions recorded before and after the reporting date with underlying documentation, including the relevant sales agreement or licensing contract, the customer's acknowledgement of acceptance of the master tapes and broadcast schedules, to determine whether the related revenue had been recognised in the appropriate accounting period; and • inspecting sales adjustments made after the reporting date and evaluating whether the related adjustments to revenue had been recorded in the appropriate accounting period.

Assessing impairment of goodwill

Refer to note 13 to the consolidated financial statements and the accounting policies on page 81.

The Key Audit Matter

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

Goodwill was recognised as a result of acquisitions of business in prior years. During the year, the Group has fully impaired the goodwill arising from the acquisitions of Star Will Investments Ltd. and Beijing Starwise Culture Media Co., Ltd. and partially impaired the goodwill arising from the acquisition of Solid Will Ltd. and its subsidiaries ("**Solid Will**"). As a result, the balance of goodwill of RMB148 million as at 31 December 2020 were solely related to the acquisition of Solid Will, which are principally engaged in the production, distribution and promotion of drama series and films in Mainland China.

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

How the matter was addressed in our audit

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

- evaluating, with the assistance of our internal valuation specialists, the valuation methodology adopted by management, the identification of CGU and the allocation of assets to each identified CGU, with reference to the requirements of the prevailing accounting standards;

- evaluating, with the assistance of our internal valuation specialists, the discount rates adopted by management in the preparation of the discounted cash flow forecasts by benchmarking against those of comparable companies in the same industry;

- assessing the appropriateness of the significant assumptions used in the preparation of the discounted cash flow forecasts, including future revenue, growth rates and future profit margins, by comparing with the historical performance of the CGU, management's forecasts, data for comparable companies in the same business and available external market data;

Assessing impairment of goodwill (continued)

Refer to note 13 to the consolidated financial statements and the accounting policies on page 81.

The Key Audit Matter

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

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

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

How the matter was addressed in our audit

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

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

- assessing the disclosures in the consolidated financial statements in respect of the impairment assessment of goodwill, including the key assumptions and sensitives, with reference to the requirements of the prevailing accounting standards.

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 March 2021

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2020
(Expressed in Renminbi Yuan)

	Note	2020 RMB'000	2019 RMB'000
Continuing operations			
Revenue	*3*	**94,120**	284,183
Cost of sales and services		**(111,359)**	(152,007)
Gross (loss)/profit		**(17,239)**	132,176
Other net income	*4*	**135,569**	9,752
Distribution costs		**(8,649)**	(10,234)
Administrative expenses		**(22,839)**	(28,381)
Other expenses	*5(c)*	**(309,877)**	(1,829)
Impairment losses on trade and other receivables	*5(c)*	**(20,620)**	(4,401)
(Loss)/profit from operations		**(243,655)**	97,083
Net finance costs	*5(a)*	**(48,121)**	(48,260)
(Loss)/profit before taxation from continuing operations	*5*	**(291,776)**	48,823
Income tax	*6*	**9,564**	(17,913)
(Loss)/profit for the year from continuing operations		**(282,212)**	30,910
Discontinued operation			
Loss for the year from discontinued operation	*9*	**–**	(859)
(Loss)/profit and total comprehensive income for the year		**(282,212)**	30,051
Attributable to:			
Equity shareholders of the Company		**(281,258)**	30,183
Non-controlling interests		**(954)**	(132)
(Loss)/profit and total comprehensive income for the year		**(282,212)**	30,051
Basic (loss)/earnings per share (RMB cents)	*10*		
– Continuing and discontinued operations		**(19.85)**	2.17
– Continuing operations		**(19.85)**	2.23
– Discontinued operation		**–**	(0.06)
Diluted (loss)/earnings per share (RMB cents)	*10*		
– Continuing and discontinued operations		**(24.90)**	2.17
– Continuing operations		**(24.90)**	2.23
– Discontinued operation		**–**	(0.06)

The notes on pages 77 to 156 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25.

Consolidated Statement of Financial Position

at 31 December 2020
(Expressed in Renminbi Yuan)

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment	*11*	**17,788**	23,723
Intangible assets	*12*	**17,014**	21
Goodwill	*13*	**148,357**	435,081
Investments in equity securities		**1,870**	1,900
Other receivables	*18*	**6,063**	145,209
Deferred tax assets	*24(b)*	**11,600**	1,928
		202,692	607,862
Current assets			
Drama series and films	*16*	**310,860**	358,666
Trade and other receivables	*18*	**783,384**	844,023
Cash and cash equivalents	*19*	**11,639**	193,438
		1,105,883	1,396,127
Current liabilities			
Trade and other payables	*20*	**139,300**	212,544
Contract liabilities	*17(b)*	**3,078**	3,078
Bank loans	*21*	**35,500**	14,850
Other borrowings	*22*	**144,429**	281,962
Lease liabilities	*23*	**5,277**	5,025
Current taxation	*24(a)*	**39,487**	39,489
		367,071	556,948
Net current assets		**738,812**	839,179
Total assets less current liabilities		**941,504**	1,447,041
Non-current liabilities			
Other borrowings	*22*	**–**	218,051
Lease liabilities	*23*	**12,148**	17,425
Deferred tax liabilities	*24(b)*	**5,524**	5,521
		17,672	240,997
Net assets		**923,832**	1,206,044

Consolidated Statement of Financial Position

at 31 December 2020

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Capital and reserves			
Share capital	*25*	**90,578**	90,578
Reserves	*25*	**811,208**	1,092,466
Total equity attributable to equity shareholders of the Company		**901,786**	1,183,044
Non-controlling interests		**22,046**	23,000
Total equity		**923,832**	1,206,044

Approved and authorised for issue by the board of directors on 25 March 2021.

Chen Chen
Director

He Han
Director

The notes on pages 77 to 156 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2020

(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company							
		Share capital	Share premium	Statutory surplus reserve	Other reserve	Retained Earnings/ (accumulated losses)	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 2019		79,730	634,429	75,792	82,385	80,586	952,922	(407)	952,515
Changes in equity for 2019:									
Profit and total comprehensive income for the year		–	–	–	–	30,183	30,183	(132)	30,051
Capital contributions	*14*	–	–	–	16,116	–	16,116	23,132	39,248
Shares issuance	*25(b)*	10,848	172,975	–	–	–	183,823	–	183,823
Appropriations to statutory surplus reserve	*25*	–	–	12,197	–	(12,197)	–	–	–
Liquidation of a subsidiary		–	–	–	–	–	–	407	407
Balance at 31 December 2019 and 1 January 2020		**90,578**	**807,404**	**87,989**	**98,501**	**98,572**	**1,183,044**	**23,000**	**1,206,044**
Changes in equity for 2020:									
Loss and total comprehensive income for the year		**–**	**–**	**–**	**–**	**(281,258)**	**(281,258)**	**(954)**	**(282,212)**
Appropriations to statutory surplus reserve	*25*	**–**	**–**	**31**	**–**	**(31)**	**–**	**–**	**–**
Balance at 31 December 2020		**90,578**	**807,404**	**88,020**	**98,501**	**(182,717)**	**901,786**	**22,046**	**923,832**

The notes on pages 77 to 156 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2020
(Expressed in Renminbi Yuan)

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Cash generated from/(used in) operations	19(b)	**6,791**	(124,339)
Income tax paid	24(a)	**(107)**	(335)
Net cash generated from/(used in) operating activities		**6,684**	(124,674)
Investing activities			
Disposal of subsidiaries, net of cash and cash equivalents disposed of		**–**	(63,871)
Proceeds from repayments of Disposal Group		**82,045**	–
Disposal of an associate		**8,000**	–
Payment for investing in equity securities		**30**	(1,900)
Payments for the purchase of property, plant and equipment and leasehold land		**–**	(25,737)
Proceeds from sale of property, plant and equipment		**–**	126
Proceeds from repayments of advance to third parties		**20,487**	95,632
Interest received		**23**	3,282
Net cash generated from investing activities		**110,585**	7,532
Financing activities			
Capital element of finance lease rental paid	19(c)	**(4,815)**	(16,985)
Proceeds from bank loans	19(c)	**32,500**	159,850
Repayment of bank loans	19(c)	**(7,000)**	(180,500)
Payments for redemption of convertible bonds	19(c)	**(57,466)**	–
Payments for redemption of bonds	19(c)	**(216,550)**	–
Capital contributions from non-controlling equity owners of subsidiaries	14	**–**	39,248
Proceeds from issuance of bonds	19(c)	**36,284**	–
Proceeds for advance from third parties	19(c)	**(53,330)**	54,326
Interest element of finance lease rentals paid	19(c)	**(1,128)**	(2,406)
Other borrowing costs paid	19(c)	**(27,401)**	(31,108)
Net cash (used in)/generated from financing activities		**(298,906)**	22,425
Net decrease in cash and cash equivalents		**(181,637)**	(94,717)
Cash and cash equivalents at 1 January	19	**193,438**	284,689
Effect of foreign exchange rate change		**(162)**	3,466
Cash and cash equivalents at 31 December	19	**11,639**	193,438

The notes on pages 77 to 156 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "**Group**").

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

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

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

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

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

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

As further disclosed in note 30, in 2020, the unexpected outbreak of the Covid-19 pandemic gave rise to uncertainties over the Group's operations and financial position.

1 Significant accounting policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

The Group incurred a net loss of RMB282,212,000 for the year ended 31 December 2020. As at 31 December 2020, convertible bonds amounted to RMB108,055,000 (equivalent to HKD120,000,000) were due for repayment on 28 February 2021. On 26 February 2021, convertible bonds with a face value of HKD20,000,000 were converted (see note 31) into the Company's shares. With respect to the remaining convertible bonds with a face value of HKD100,000,000, none of them were converted into the Company's shares and the Company was obliged to redeem the bonds on the maturity date of 28 February 2021. However, the Company defaulted on the redemption and the those bonds remain outstanding as of the date of approval of these consolidated financial statements. The Company plans to partially redeem the bonds and transfer the remaining bonds to an existing shareholder of the Company (see note 31).

Nevertheless, the Group still has bank loans and other borrowings amounting to RMB35,500,000 and RMB36,374,000, respectively, which are due for repayment during the period from April to December 2021 as disclosed in notes 21 and 22(b)(iii). The Group's cash and bank balances only amounted to RMB11,639,000 as at 31 December 2020. The Group will be unable to fund the Group's operating activities and repay the bank loans and other borrowings in full when they fall due unless it is able to generate sufficient net cash inflows from its operations and/or extend or renew its existing borrowings upon their maturities. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and financial requirements. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

– The Group will continue to pay close attention to the film and television media industry and make good use of its resources with an aim to attain positive and sustainable cash flow from operations;

– The Group is putting extra efforts on collecting its trade and other receivables and procuring the distribution of the drama series and films;

– The Group is in discussions with its lenders to timely renew or extend its existing bank loans and other borrowings; and

– The Group will actively and regularly review its capital structure and source additional capital by issuing bonds or new shares, where appropriate.

The directors of the Company have reviewed the Group's cash flow projection covering a period of not less than twelve months from the end of the reporting period prepared by management. In the opinion of the directors of the Company, assuming the success of the above measures, the Group will have sufficient working capital to meet its financial liabilities as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

1 Significant accounting policies (Continued)

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, Definition of a Business
- Amendment to IFRS 16, Covid-19-Related Rent Concessions

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

(d) Subsidiaries and non-controlling interests

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

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

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

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

1 Significant accounting policies (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

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

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

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

(e) Associates

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

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

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

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

1 Significant accounting policies (Continued)

(f) Goodwill

Goodwill represents the excess of:

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

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

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

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

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

(g) Other investments in equity securities

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

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

For an explanation of how the Group determines fair value of financial instruments, see note 26(f). These investments are subsequently accounted for as follows, depending on their classification.

Equity investments

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

1 Significant accounting policies (Continued)

(h) Derivative financial instruments

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

(i) Property, plant and equipment

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

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

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

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

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

1 Significant accounting policies (Continued)

(i) Property, plant and equipment (Continued)

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

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

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

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

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

1 Significant accounting policies (Continued)

(j) Intangible assets (other than goodwill)

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

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

–	Contractual right	Over the contractual period
–	Patents and trademarks	5 – 10 years
–	Computer software	5 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

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

(i) As a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

1 Significant accounting policies (Continued)

(k) Leased assets (Continued)

(i) As a lessee (Continued)

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

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the Covid-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

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

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

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

1 Significant accounting policies (Continued)

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

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

Measurement of ECLs

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.

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

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

1 Significant accounting policies (Continued)

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

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

Significant increases in credit risk

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

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

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

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

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

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

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

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

1 Significant accounting policies (Continued)

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

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

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

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

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

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

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

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.

1 Significant accounting policies (Continued)

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

(ii) Credit losses from financial guarantees issued

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

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

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

(iii) Impairment of other non-current assets

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

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

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

– intangible assets;

– goodwill;

– interest in an associate;

– drama series and films; and

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

1 Significant accounting policies (Continued)

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

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

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

– ***Calculation of recoverable amount***

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

– ***Recognition of impairment losses***

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

– ***Reversals of impairment losses***

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

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

1 Significant accounting policies (Continued)

(m) Inventories and other contract costs

(i) Inventories

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

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

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

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

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

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

(ii) Other contract costs

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

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

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

1 Significant accounting policies (Continued)

(m) Inventories and other contract costs (Continued)

(ii) Other contract costs (Continued)

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

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

(n) Contract assets and contract liabilities

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

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

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

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

(o) Drama series and films

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

Completed drama series and films are stated at the lower of cost and net realisable value. Cost of completed drama series and films comprise fees paid and payable under agreements and direct costs incurred during the production of drama series and films. The costs of completed drama series and films are recognised as an expense based on the proportion of actual income earned from a drama series and films during the year to the total estimated income from the distribution of drama series and films.

Drama series and films in production represents drama series and films under production and is stated at the lower of cost and net realisable value. The costs include all direct costs associated with the production of drama series and films. Costs are transferred to completed drama series and films upon completion.

1 Significant accounting policies (Continued)

(p) Trade and other receivables

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

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

(q) Cash and cash equivalents

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

(r) Trade and other payables

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

(s) Interest-bearing borrowings

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

(t) Convertible bonds

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

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

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

1 Significant accounting policies (Continued)

(u) Employee benefits

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

(v) Income tax

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

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

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

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

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

1 Significant accounting policies (Continued)

(v) Income tax (Continued)

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

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

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

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

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

  – the same taxable entity; or

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

(w) Provisions and contingent liabilities

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

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

1 Significant accounting policies (Continued)

(x) Revenue and other income

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

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

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

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

(i) Licensing of drama series and films

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

(ii) Transfer of license of drama series and films

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

1 Significant accounting policies (Continued)

(x) Revenue and other income (Continued)

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

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

(iv) Rental income from operating leases

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

(v) Interest income

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

(y) Translation of foreign currencies

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

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

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

1 Significant accounting policies (Continued)

(z) Borrowing costs

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

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

(aa) Discontinued operation

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

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

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

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

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

(bb) Related parties

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

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

(ii) has significant influence over the Group; or

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

1 Significant accounting policies (Continued)

(bb) Related parties (Continued)

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

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

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

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

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

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

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

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

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

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

(cc) Segment reporting

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

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

2 Accounting judgement and estimates

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

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

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

– exercise effective financial and operational control over Beijing Star Rise and Beijing Star Rise Pictures;

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

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

The Group does not have any equity interest in Beijing Star Rise and Beijing Star Rise Pictures. However, as a result of the Contractual Arrangements, the Group has rights to receive variable returns from its involvement with Beijing Star Rise and Beijing Star Rise Pictures and has the ability to affect those returns through its power over Beijing Star Rise and Beijing Star Rise Pictures and is considered to control Beijing Star Rise and Beijing Star Rise Pictures respectively. Consequently, the Company regards Beijing Star Rise and Beijing Star Rise Pictures, and their subsidiaries as indirect subsidiaries. The Group has consolidated the financial position and results after the completion of acquisition of Beijing Star Rise and Beijing Star Rise Pictures, and their subsidiaries in the consolidated financial statements of the Group for the year ended 31 December 2020.

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

2 Accounting judgement and estimates (Continued)

(b) Sources of estimation uncertainty

Notes 13 and 26 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Other key source of estimation uncertainty are as follows:

(i) Impairment of non-current assets

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

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

(ii) Expected credit losses for trade receivables

The impairment provisions for trade receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note 26(a). Changes in these assumptions and estimated could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

2 Accounting judgement and estimates (Continued)

(b) Sources of estimation uncertainty (Continued)

(iii) Drama series and films

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

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

(iv) Taxation

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

(v) Determining the lease term

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

3 Revenue and segment report

(a) Revenue

For the year ended 31 December 2020, the principal activities of the Group is production, distribution and licensing of drama series and films. For the year ended 31 December 2019, the principal activities of the Group also included manufacturing and sales of textile products and provision of related processing service (see note 9, "discontinued operation"). Further details regarding the Group's principal activities are disclosed in note 3(b).

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

	Continuing operations		Discontinued operation		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from contracts with customers within the scope of IFRS 15						
Disaggregated by major products or service lines						
– Sales of textile products	**–**	–	**–**	458,210	**–**	458,210
– Licensing of drama series and films, transfer of license of drama series and films	**45,030**	216,096	**–**	–	**45,030**	216,096
– Provision of textile products processing services	**–**	–	**–**	16,503	**–**	16,503
– Provision of drama series and films production, distribution and related services	**49,090**	68,087	**–**	–	**49,090**	68,087
	94,120	284,183	**–**	474,713	**94,120**	758,896

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

The Group's customer base is diversified and includes three customers (2019: one) with whom transactions have exceeded 10% of the Group's revenues for the year ended 31 December 2020. In 2020 revenues from sales of television drama series to these customers amounted to approximately RMB77,228,000. In 2019 revenues from sales of television drama series to the customer amounted to approximately RMB108,902,000. Details of concentrations of credit risk are set out in note 26(a).

3 Revenue and segment report (Continued)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented two reportable segments, included media and textile (see note 9, "discontinued operation"). No operating segments have been aggregated to form the following reportable segments.

Continuing operations

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

(i) Segment results, assets and liabilities

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

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

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

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

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

3 Revenue and segment report (Continued)

(b) Segment reporting (Continued)

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	Continuing operations		Discontinued operation			
	Media		Textile		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Disaggregated by timing of revenue recognition						
Point in time	**48,441**	238,203	**–**	458,210	**48,441**	696,413
Over time	**45,679**	45,980	**–**	16,503	**45,679**	62,483
Revenue from external customers	**94,120**	284,183	**–**	474,713	**94,120**	758,896
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**94,120**	284,183	**–**	474,713	**94,120**	758,896
Reportable segment result (adjusted (loss)/profit before taxes)	**(67,232)**	111,044	**–**	(15,044)	**(67,232)**	96,000
Interest income on bank deposits	**23**	2,634	**–**	648	**23**	3,282
Interest on bank loans and other financial liabilities	**7,060**	4,918	**–**	8,165	**7,060**	13,083
Depreciation and amortisation for the year	**8,434**	4,465	**–**	48,407	**8,434**	52,872
Reportable segment assets	**1,308,575**	2,003,989	**–**	–	**1,308,575**	2,003,989
Additions to non-current segment assets during the year	**–**	13,538	**–**	–	**–**	13,538
Reportable segment liabilities	**384,743**	797,945	**–**	–	**384,743**	797,945

3 Revenue and segment report (Continued)

(b) Segment reporting (Continued)

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

	Continuing operations		Discontinued operation		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue						
Reportable segment revenue	**94,120**	284,183	**–**	474,713	**94,120**	758,896
Elimination of inter-segment revenue	**–**	–	**–**	–	**–**	–
Consolidated revenue *(note 3(a))*	**94,120**	284,183	**–**	474,713	**94,120**	758,896
(Loss)/profit						
Reportable segment (loss)/profit	**(67,232)**	111,044	**–**	(15,044)	**(67,232)**	96,000
Elimination of inter-segment profits	**–**	–	**–**	–	**–**	–
Reportable segment (loss)/profit derived from the Group's external customers	**(67,232)**	111,044	**–**	(15,044)	**(67,232)**	96,000
Interest on convertible bonds	**(28,761)**	(33,248)	**–**	–	**(28,761)**	(33,248)
Interest on bonds	**(12,570)**	(12,429)	**–**	–	**(12,570)**	(12,429)
Change in fair value of derivatives embedded in convertible bonds	**113,266**	(29,710)	**–**	–	**113,266**	(29,710)
Change in carrying amount of convertible bonds as non-substantial modification of the terms	**13,206**	13,479	**–**	–	**13,206**	13,479
Impairment of goodwill	**(286,724)**	–	**–**	–	**(286,724)**	–
Unallocated head office and net corporate expenses	**(22,961)**	(313)	**–**	–	**(22,961)**	(313)
Consolidated (loss)/profit before taxation	**(291,776)**	48,823	**–**	(15,044)	**(291,776)**	33,779

3 Revenue and segment report (Continued)

(b) Segment reporting (Continued)

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

	2020 RMB'000	2019 RMB'000
Assets		
Reportable segment assets	**1,308,575**	2,003,989
Elimination of inter-segment receivables	**–**	–
	1,308,575	2,003,989
Unallocated head office and corporate assets	**–**	–
Consolidated total assets	**1,308,575**	2,003,989
Liabilities		
Reportable segment liabilities	**384,743**	797,945
Elimination of inter-segment payables	**–**	–
	384,743	797,945
Unallocated head office and corporate liabilities	**–**	–
Consolidated total liabilities	**384,743**	797,945

(iii) Geographic information

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

	Continuing operations		Discontinued operation		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
The PRC	**94,120**	284,183	**–**	433,334	**94,120**	717,517
Overseas	**–**	–	**–**	41,379	**–**	41,379
	94,120	284,183	**–**	474,713	**94,120**	758,896

4 Other net income

	2020 RMB'000	2019 RMB'000
Change in fair value of derivatives embedded in convertible bonds *(note 26)*	**113,266**	(29,710)
Change in carrying amount of convertible bonds as non-substantial modification of the terms	**13,206**	13,479
Gain on disposal of an associate *(note 15)*	**–**	12,000
Net gain from investments in drama series and films *	**5,789**	10,270
Others	**3,308**	3,713
	135,569	9,752

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

5 (Loss)/profit before taxation

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

(a) Net finance costs

	2020 RMB'000	2019 RMB'000
Interest on convertible bonds	**28,761**	33,248
Interest on bonds	**12,570**	12,429
Interest on bank loans and other financial liabilities	**7,060**	4,918
Interest on lease liabilities	**1,128**	1,368
Interest income	**(23)**	(2,634)
Net foreign exchange gain	**(1,416)**	(1,447)
Other finance charges	**41**	378
	48,121	48,260

5 (Loss)/profit before taxation (Continued)

(b) Staff costs

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	**18,248**	19,942
Contributions to defined contribution retirement plan	**1,630**	2,337
	19,878	22,279

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "**Schemes**") organised by the relevant local authorities whereby the Group is required to make contributions to the Schemes at certain percentages of the eligible employees' salaries for the years ended 31 December 2020 and 2019. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

(c) Other items

	2020 RMB'000	2019 RMB'000
Amortisation		
– intangible assets	**3,007**	7
Depreciation		
– owned property, plant and equipment	**173**	61
– right-of-use assets	**5,254**	4,397
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**21**	21
Other expenses	**309,877**	1,829
– impairment of goodwill *(note 13)*	**286,724**	–
– write-downs for drama series and films *(note 16)*	**23,153**	1,829
Impairment losses on trade and other receivables	**20,620**	4,401
Gain on disposal of an associate	**–**	12,000
COVID-19 related rent concessions received	**210**	–
Auditors' remuneration		
– audit services	**1,980**	2,600
– other services	**–**	700
Cost of drama series and films	**107,961**	150,379

6 Income tax

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

	2020 RMB'000	2019 RMB'000
Current tax		
Provision for the year	**105**	16,213
Deferred tax		
Origination and reversal of temporary differences *(note 24(b))*	**(9,669)**	1,700
	(9,564)	17,913

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

(ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

(iii) For the year ended 31 December 2020, the Group's PRC subsidiaries are subject to income tax rate of 25% (2019: 25%).

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

(v) Pursuant to the PRC Enterprise Income Tax preferential policies in Horgos of Xinjiang province, Horgos Star Rise Culture Media Co., Ltd., Horgos Yingsheng Film and TV Culture Co., Ltd. and Khorgos Starrise Qicheng Media Co., Ltd., subsidiaries of the Company located in Horgos of Xinjiang province and are principally engaged in the production and distribution of drama series and films, are entitled to a tax holiday of 5-year full exemption on Enterprise Income Tax commencing from the first revenue-generating year. The first exemption year are 2016, 2016 and 2019 respectively.

Khorgos Starrise Han Media Co., Ltd. and Khorgos Starwise Culture Media Co., Ltd. established in October and November 2020 respectively and no revenue realised in 2020.

6 Income tax (Continued)

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

	2020 RMB'000	2019 RMB'000
(Loss)/profit before taxation	**(291,776)**	48,823
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned	**(89,137)**	28,319
Tax effect of non-deductible expenses	**68,588**	3,514
Tax effect of unused tax losses not recognised	**10,985**	(223)
Statutory tax concession	**–**	(16,384)
PRC dividend withholding tax	**–**	2,687
Income tax expense	**(9,564)**	17,913

7 Directors' emoluments

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

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2020 Total RMB'000
Executive directors					
Liu Dong	–	205	–	–	205
Liu ZongJun	–	114	–	–	114
Chen Chen	–	806	–	11	817
He Han	–	1,105	–	4	1,109
Tan Bin[1]	–	1,313	–	16	1,329
Independent Non-executive directors					
Lam KaiYeung	98	–	–	–	98
Wang LiangLiang[2]	19	–	–	–	19
Liu Chenhong	77	–	–	–	77
Kwok Pak Shing[3]	57	–	–	–	57
	251	3,543	–	31	3,825

1 *Resigned on 14 December 2020*
2 *Resigned on 27 March 2020*
3 *Appointed on 27 March 2020*

7 Directors' emoluments (Continued)

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

(i) During the years ended 31 December 2020 and 2019, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office.

(ii) No directors of the Company waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

(iii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the years ended 31 December 2020 and 2019.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments three (2019: three) are directors whose remuneration are disclosed in note 7.

	2020	2019
	RMB'000	RMB'000
Salaries and other emoluments	**1,248**	1,514
Retirement scheme contributions	**8**	22
	1,256	1,536

In 2020, the emoluments of the two (2019: two) individuals with the highest emoluments are within the following band:

	2020	2019
	Number of individuals	Number of Individuals
HKD Nil to HKD1,000,000	**2**	2

9 Discontinued operation

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

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

10 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB281,258,000 (2019: profit of RMB30,183,000) and the weighted average number of 1,416,912,000 ordinary shares (2019: 1,391,144,000) in issue during the year, calculated as follows:

	2020	2019
	'000	'000
Issued ordinary shares at 1 January	**1,416,912**	1,254,750
Effect of shares issuance *(note 25(b))*	**–**	136,394
Weighted average number of ordinary shares at 31 December	**1,416,912**	1,391,144

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB393,230,000 (2019: profit of RMB74,834,000) and the weighted average number of 1,579,074,000 ordinary shares (2019: 1,660,600,000), calculated as follows:

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

	2020	2019
	RMB'000	RMB'000
(Loss)/profit attributable to ordinary equity shareholders	**(281,258)**	30,183
After tax effect of effective interest on the liability component of convertible bond	**14,500**	38,926
After tax effect of loss recognised on the derivative component of convertible bond	**(126,472)**	5,725
(Loss)/profit attributable to ordinary equity shareholders (diluted)	**(393,230)**	74,834

(ii) Weighted average number of ordinary shares (diluted)

	2020	2019
	'000	'000
Issued ordinary shares at 1 January	**1,416,912**	1,254,750
Effect of shares issuance *(note 25(b))*	**–**	136,394
Effect of convertible bond	**162,162**	269,456
Weighted average number of ordinary shares (diluted) at 31 December	**1,579,074**	1,660,600

11 Property, plant and equipment and leasehold land

(a) Reconciliation of carrying amount

	Buildings RMB'000	Machinery and equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2019	212,586	635,210	13,349	7,358	6,146	874,649	70,181	944,830
Additions	17,505	10,044	431	102	4,054	32,136	–	32,136
Disposal of subsidiaries	(200,416)	(643,717)	(11,759)	(7,405)	(10,117)	(873,414)	(70,181)	(943,595)
Transfer from construction in progress	83	–	–	–	(83)	–	–	–
Disposals	–	(1,533)	(30)	(55)	–	(1,618)	–	(1,618)
At 31 December 2019	29,758	4	1,991	–	–	31,753	–	31,753
At 1 January 2020	29,758	4	1,991	–	–	31,753	–	31,753
Additions	–	–	–	–	–	–	–	–
Disposals	(743)	–	(527)	–	–	(1,270)	–	(1,270)
At 31 December 2020	29,015	4	1,464	–	–	30,483	–	30,483
Accumulated depreciation and amortisation:								
At 1 January 2019	(52,432)	(361,049)	(11,563)	(4,798)	–	(429,842)	(8,533)	(438,375)
Charge for the year	(13,330)	(36,658)	(918)	(460)	–	(51,366)	(1,364)	(52,730)
Disposal of subsidiaries	59,119	396,562	11,074	5,208	–	471,963	9,897	481,860
Written back on disposals	–	1,142	23	50	–	1,215	–	1,215
At 31 December 2019	(6,643)	(3)	(1,384)	–	–	(8,030)	–	(8,030)
At 1 January 2020	(6,643)	(3)	(1,384)	–	–	(8,030)	–	(8,030)
Charge for the year	(5,254)	–	(173)	–	–	(5,427)	–	(5,427)
Written back on disposals	464	–	298	–	–	762	–	762
At 31 December 2020	(11,433)	(3)	(1,259)	–	–	(12,695)	–	(12,695)
Net book value:								
At 31 December 2020	17,582	1	205	–	–	17,788	–	17,788
At 31 December 2019	23,115	1	607	–	–	23,723	–	23,723

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

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Properties held in the PRC		
– medium-term leases	**17,582**	23,115
Representing:		
– Buildings	**17,582**	23,115

(c) Right-of-use assets

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

	31 December 2020 RMB'000	1 January 2020 RMB'000
Buildings	**17,582**	22,836

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

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Buildings	**5,254**	4,397
Interest on lease liabilities	**1,128**	2,406
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2020	**320**	149
Covid-19 related rent concessions received	**210**	–

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19(d) and 23, respectively.

As disclosed in note 1(c), the Group has early adopted the Amendment to IFRS 16, Leases, Covid-19-Related Rent Concessions, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the year.

12 Intangible assets

	Contractual right *(Note)* RMB'000	Patents and trademarks RMB'000	Computer software RMB'000	Total RMB'000
Cost:				
At 1 January 2019	–	50	1,418	1,468
Additions	–	–	25	25
Disposal of subsidiaries	–	(50)	(1,408)	(1,458)
At 31 December 2019	–	–	35	35
At 1 January 2020	–	–	35	35
Additions	20,000	–	–	20,000
Disposal of subsidiaries	–	–	–	–
At 31 December 2020	20,000	–	35	20,035
Accumulated amortisation:				
At 1 January 2019	–	(50)	(349)	(399)
Charge for the year	–	–	(142)	(142)
Disposal of subsidiaries	–	50	477	527
At 31 December 2019	–	–	(14)	(14)
At 1 January 2020	–	–	(14)	(14)
Charge for the year	(3,000)	–	(7)	(3,007)
Disposal of subsidiaries	–	–	–	–
At 31 December 2020	(3,000)	–	(21)	(3,021)
Net book value:				
At 31 December 2020	17,000	–	14	17,014
At 31 December 2019	–	–	21	21

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

13 Goodwill

	2020 RMB'000	2019 RMB'000
Cost:		
At 1 January	**511,525**	517,919
Disposal of subsidiaries	**–**	(6,394)
At 31 December	**511,525**	511,525
Accumulated impairment losses:		
At 1 January	**(76,444)**	(76,444)
Impairment loss	**(286,724)**	–
At 31 December	**(363,168)**	(76,444)
Carrying amount:		
At 1 January	**435,081**	441,475
At 31 December	**148,357**	435,081

Impairment tests for cash-generating units containing goodwill

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Solid Will Ltd. and its subsidiaries ("**Solid Will**")	**148,357**	354,452
Star Will Investments Ltd. and its subsidiaries ("**Star Will**")	**–**	62,181
Beijing Starwise Culture Media Co., Ltd. ("**Beijing Starwise**")	**–**	18,448
At 31 December	**148,357**	435,081

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

13 Goodwill (Continued)

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

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

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

	Solid Will	Star Will	Beijing Starwise
Pre-tax discount rates	28%	30%	34%

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

	Solid Will	Star Will	Beijing Starwise
Budgeted gross margins	38%	26%	25%

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

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

Affected by the Covid-19, the discount rate of the Solid Will, Star Will and Beijing Starwise was increased by 3%, 2% and 3%, and the budgeted gross margin was decreased by 11%, 6% and 9% respectively compared with that in 2019.

(Expressed in Renminbi Yuan unless otherwise indicated)

14 Investments in subsidiaries

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

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

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

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

14 Investments in subsidiaries (Continued)

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

	2020		2019	
	Horgos Starrise Qicheng Media Co., Ltd.	**Horgos Star Rise Dacheng Culture Development Co., Ltd.**	Horgos Starrise Qicheng Media Co., Ltd.	Horgos Star Rise Dacheng Culture Development Co., Ltd.
NCI percentage	**49%**	**0%**	49%	0%
Current assets	**37,209**	**–**	39,259	–
Non-current assets	**102**	**–**	–	–
Current liabilities	**(112)**	**–**	(112)	–
Net assets	**37,199**	**–**	39,147	–
Carrying amount of NCI	**22,046**	**–**	23,000	–
Revenue	**3,255**	**–**	–	–
Loss for the year	**(1,947)**	**–**	(101)	(203)
Total comprehensive income	**(1,947)**	**–**	(101)	(203)
Loss allocated to NCI	**(954)**	**–**	(50)	(82)
Cash flows used in operating activities	**(76)**	**–**	(39,040)	(199)
Cash flows generated from investing activities	**–**	**–**	–	–
Cash flows generated from financing activities	**–**	**–**	39,248	–

15 Interest in an associate

The particulars of the associate is listed as follow:

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

15 Interest in an associate (Continued)

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

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

16 Drama series and films

	31 December 2020 RMB'000	31 December 2019 RMB'000
Drama series and films		
– in production	**96,511**	168,755
– completed production	**239,694**	192,103
	336,205	360,858
Write-downs	**(25,345)**	(2,192)
	310,860	358,666

The carrying amounts of drama series and films have been reduced to their recoverable amounts through recognition of provision for impairment losses of RMB23,153,095 (2019: RMB1,829,000) which has been included in "other expenses" in the consolidated income statement. During the year, there was no write-down reversed. (2019:RMB7,000,000).

17 Contract assets and contract liabilities

(a) Contract assets

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contract assets		
– Arising from provision of drama series production services	**–**	–
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" *(note 18)*	**206,224**	269,598

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

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

As at 31 December 2020, no contract assets is expected to be recovered after more than one year (2019: RMB nil).

(b) Contract liabilities

	31 December 2020 RMB'000	31 December 2019 RMB'000
Advance received for selling drama series and films	**3,078**	3,078

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

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

17 Contract assets and contract liabilities (Continued)

(b) Contract liabilities (Continued)

Movements in contract liabilities

	2020 **RMB'000**
Balance at 1 January	**3,078**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**–**
Increase in contract liabilities as a result of advance received from customers during the year in respect of drama series and films still under production as at 31 December 2020	**–**
Balance at 31 December	**3,078**

As at 31 December 2020, no contract liabilities is expected to be recognised as income after more than one year (2019: RMB nil, which were included under "trade and other payables").

18 Trade and other receivables

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade debtors and bills receivable, net of loss allowance *(note 18(a))*	**206,782**	269,807
Deposits, prepayments and other receivables *(note 18(b))*	**582,665**	719,425
	789,447	989,232
Other receivables expected to be collected or recognised as expense after more than one year	**(6,063)**	(145,209)
Trade and other receivables expected to be recovered or recognised as expense within one year	**783,384**	844,023

18 Trade and other receivables (Continued)

(a) Ageing analysis

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Current	**99,655**	239,001
Less than 3 months past due	**72,741**	1,914
3 to 6 months past due	**1,912**	23,852
6 to 12 months past due	**29,736**	4,600
More than one year past due	**2,738**	440
Amounts past due	**107,127**	30,806
	206,782	269,807

Trade debtors and bills receivable are due within 1 to 6 months from the date of billing. Further details on the Group's credit policy are set out in note 26.

(b) Deposits, prepayments and other receivables

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Prepayments and advances relating to drama series and films	*(i)*	**186,498**	199,620
Other receivables in relation to disposal of subsidiaries	*(ii)*	**249,218**	337,617
Other receivables relating to disposal of an associate	*(iii)*	**4,000**	12,000
Amounts due from third parties		**138,764**	152,897
Prepayment for investments		**–**	8,000
Deferred expenses		**170**	1,620
Others		**4,015**	7,671
		582,665	719,425

Notes:

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

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

(iii) The balance represents the consideration receivable for the disposal of an associate during the year ended 31 December 2020, see note 15.

19 Cash and cash equivalents

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Bank deposits	**11,621**	193,419
Cash in hand	**18**	19
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	**11,639**	193,438

As at 31 December 2020, the Group's cash and cash equivalents of RMB9,362,000 (2019: RMB27,249,000) are denominated in RMB.

19 Cash and cash equivalents (Continued)

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

	Note	2020 RMB'000	2019 RMB'000
(Loss)/profit before taxations, including discontinued operation		**(291,776)**	43,877
Adjustments for:			
Depreciation	*5(c)*	**5,427**	51,366
Amortisation	*5(c)*	**3,007**	1,506
Impairment of goodwill	*5(c)*	**286,724**	–
Write-downs for drama series and films	*5(c)*	**23,153**	1,829
Impairment reversal on inventories		**–**	(268)
Net impairment losses on trade and other receivables	*5(c)*	**20,620**	3,707
Interest income	*5(a)*	**(23)**	(3,282)
Change in fair value of derivatives embedded in convertible bonds	*4*	**(126,472)**	16,231
Gain on disposal of subsidiaries	*9*	**–**	(10,098)
Gain on disposal of an associate	*4*	**–**	(12,000)
Gain on liquidation of a subsidiary		**–**	407
Finance costs		**37,095**	65,936
Net loss on disposal of property, plant and equipment		**508**	277
COVID-19-related rent concessions received	*11(c)*	**(210)**	–
Foreign exchange gain		**162**	(3,054)
		(41,785)	156,434
Changes in working capital:			
Decrease in inventories		**–**	21,842
Decrease/(increase) in drama series and films		**24,653**	(135,537)
Increase in contractual right		**(20,000)**	–
Decrease/(increase) in trade and other receivables		**63,783**	(629,075)
(Decrease)/increase in trade and other payables		**(19,860)**	422,251
Increase in contract liabilities		**–**	37,559
Decrease in guarantee deposits for issuance of commercial bills and bank acceptance		**–**	2,187
Cash generated from/(used in) operations		**6,791**	(124,339)

19 Cash and cash equivalents (Continued)

(c) Reconciliation of liabilities arising from financing activities:

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

	Bank loans	Convertible bonds	Lease liabilities	Advance from third parties	Bonds	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 21)	*(Note 22)*	*(Note 23)*	*(Note 20)*	*(Note 22)*	
At 1 January 2020	14,850	281,962	22,450	78,326	218,051	615,639
Changes from financing cash flows:						
Capital element of finance lease rentals paid	–	–	(4,815)	–	–	(4,815)
Proceeds from bank loans	32,500	–	–	–	–	32,500
Repayment of bank loans	(7,000)	–	–	–	–	(7,000)
Payments for redemption of convertible bonds	–	(57,466)	–	–	–	(57,466)
Proceeds from issuance of bonds	–	–	–	–	36,284	36,284
Payments for redemption of bonds	–	–	–	–	(216,550)	(216,550)
Proceeds for advance from third parties	–	–	–	(53,330)	–	(53,330)
Interest element of lease rentals paid	–	–	(1,128)	–	–	(1,128)
Other borrowing costs paid	(7,114)	(6,306)	–	–	(13,981)	(27,401)
Total changes from financing cash flows	18,386	(63,772)	(5,943)	(53,330)	(194,247)	(298,906)
Exchange adjustments	–	(12,424)	–	–	–	(12,424)
Change in fair value of derivatives embedded in convertible bonds	–	(113,266)	–	–	–	(113,266)
Change in carrying amount of convertible bonds as non-substantial modification of the terms	–	(13,206)	–	–	–	(13,206)
Other changes:						
Maturity of discounted bills	(4,850)	–	–	–	–	(4,850)
Covid-19-related rent concessions received *(note 11(c))*	–	–	(210)	–	–	(210)
Interest on lease liabilities	–	–	1,128	–	–	1,128
Interest on bank loans and other financial liabilities *(note 5(a))*	7,114	28,761	–	–	12,570	48,445
Total other changes	2,264	28,761	918	–	12,570	44,513
At 31 December 2020	35,500	108,055	17,425	24,996	36,374	222,350

19 Cash and cash equivalents (Continued)

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

	Bank loans RMB'000 *(Note 21)*	Convertible bonds RMB'000 *(Note 22)*	Lease liabilities RMB'000 *(Note 23)*	Advance from third parties RMB'000 *(Note 20)*	Bonds RMB'000 *(Note 22)*	Total RMB'000
At 1 January 2019	180,500	426,509	37,927	24,000	214,316	883,252
Changes from financing cash flows:						
Capital element of finance lease rentals paid	–	–	(16,985)	–	–	(16,985)
Proceeds from bank loans	159,850	–	–	–	–	159,850
Repayment of bank loans	(180,500)	–	–	–	–	(180,500)
Proceeds for advance from third parties	–	–	–	54,326	–	54,326
Interest element of lease rentals paid	–	–	(2,406)	–	–	(2,406)
Other borrowing costs paid	(7,029)	(10,615)	–	–	(13,464)	(31,108)
Total changes from financing cash flows	(27,679)	(10,615)	(19,391)	54,326	(13,464)	(16,823)
Exchange adjustments	–	412	–	–	4,770	5,182
Change in fair value of derivatives embedded in convertible bonds	–	29,710	–	–	–	29,710
Change in carrying amount of convertible bonds as non-substantial modification of the terms	–	(13,479)	–	–	–	(13,479)
Other changes:						
Increase in lease liabilities from entering into new leases during the period	–	–	13,481	–	–	13,481
Disposal of subsidiaries	(145,000)	–	(11,973)	–	–	(156,973)
Interest on lease liabilities	–	–	2,406	–	–	2,406
Interest on bank loans and other financial liabilities *(note 5(a))*	7,029	33,248	–	–	12,429	52,706
Bondholders exercised the conversion rights to convert the bond *(note 25(b))*	–	(183,823)	–	–	–	(183,823)
Total other changes	(137,971)	(150,575)	3,914	–	12,429	(272,203)
At 31 December 2019	14,850	281,962	22,450	78,326	218,051	615,639

19 Cash and cash equivalents (Continued)

(d) Total cash outflow for leases:

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

	2020 RMB'000	2019 RMB'000
Within operating cash flows	**320**	149
Within financing cash flows	**5,943**	19,391
	6,263	19,540

These amounts relate to the following:

	2020 RMB'000	2019 RMB'000
Lease rentals paid	**6,263**	19,540

20 Trade and other payables

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade creditors and bills payable *(note 20(a))*	**12,261**	12,641
Receipts in advance	**7,764**	16,541
Other creditors and accrued charges *(note 20(b))*	**119,275**	183,362
	139,300	212,544

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

20 Trade and other payables (Continued)

(a) Ageing analysis

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Due within 3 months or on demand	**12,261**	12,641

(b) Other creditors and accrued charges

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Advances from third parties	*(i)*	**24,996**	78,326
Payables relating to drama series and films		**63,797**	68,158
Tax payable other than income tax		**18,410**	24,656
Accrued charges		**4,275**	6,656
Deferred income		**–**	4,071
Other payables		**7,797**	1,495
		119,275	183,362

Note:

(i) As at 31 December 2020, advances from third parties of RMB18,000,000 (2019: RMB74,500,000) are unsecured, interest bearing at 10% – 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.

21 Bank loans

	31 December 2020 RMB'000	31 December 2019 RMB'000
Unsecured bank loans	**35,500**	14,850

As at 31 December 2020, the bank loans were repayable as follows:

	RMB'000	Maturity date
Beijing Rural Commercial Bank	8,500	10 April 2021
Bank of Beijing	5,000	18 June 2021
China Merchants Bank	5,000	28 July 2021
Bank of Beijing	10,000	4 December 2021
Bank of Beijing	7,000	10 December 2021
	35,500	

Details of the Group's interest rate risk and liquidity rate risk are set out in note 26.

22 Other borrowings

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Convertible bonds *(note 22(b)(i))*		
– host liability component	**104,759**	161,462
– derivative liability component	**3,296**	120,500
	108,055	281,962
Bonds *(note 22(b)(ii)(iii))*	**36,374**	218,051
	144,429	500,013
Amounts expected to be settled within one year	**(144,429)**	(281,962)
Amounts expected to be settled after one year	**–**	218,051

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

22 Other borrowings (Continued)

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

(i) 2017 Convertible Bonds

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

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

- Conversion rights are exercisable, wholly or partially, at any time up to maturity, or extended maturity, at the bondholders' option.
- If a bondholder exercises its conversion rights, the Company is required to deliver ordinary shares at the initial conversion price of HKD1.21 per share, which was adjusted to HKD0.156 per share (subject to further adjustments) after the reporting period.

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

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

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

On 28 February 2019, the Company and the Original Bondholder conditionally agreed to extend the maturity date of the remaining convertible bonds with an aggregate face value of HKD 180,000,000 from 28 February 2019 to 28 February 2020, which is subject to, among other things, the approvals of the Company's shareholders at the general meeting. The extension of maturity date of the bonds was approved by the Company's shareholders at the extraordinary general meeting of the company held on 8 April 2019. The effective interest rate of the host liability component is 12% per annum for the extended bonds.

22 Other borrowings (Continued)

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

(i) 2017 Convertible Bonds (Continued)

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

On 27 February 2020, the Company, the Original Bondholder and Skyland conditionally agreed to further extend the maturity date of the remaining convertible bonds with an aggregate face value of HKD 180,000,000 from 28 February 2020 to 28 February 2021, which is subject to, among other things, the approvals of the Company's shareholders at the general meeting. The extension of maturity date of the bonds was approved by the Company's shareholders at the extraordinary general meeting of the company held on 9 April 2020.

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

As at 14 December 2020, the Company, pursuant to the terms and conditions of the convertible bonds and as agreed between the Company and Skyland, early redeemed the convertible bonds at the face value of HKD60,000,000 in full.

Convertible bonds with a face value amounted to HKD120,000,000 were outstanding as at 31 December 2020. On 26 February 2021, convertible bonds with a face value of HKD20,000,000 held by BeiTai were converted into the Company's shares. The remaining convertible bonds with the face value of HKD100,000,000 held by the Original Bondholder were matured without redemption after the maturity date on 28 February 2021. For details, please see note 31.

(ii) 2018 Bonds

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

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

On 30 November 2020, the Company, pursuant to the terms and conditions of the bonds and as agreed into the bondholder, early redeemed the bonds at the face value of HKD235,500,000.

22 Other borrowings (Continued)

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

(iii) 2020 Bonds

On 11 December 2020, the Company issued bonds with an aggregate face value of HKD43,000,000 and a maturity date on 11 December 2021, which is extendable to 11 December 2022 if agreed by the Company and BeiTai. The bonds bear a nominal interest rate of 8% per annum. Interest is payable in arrears on 30 June 2021 and the maturity date.

23 Lease liabilities

As at December 2020, the lease liabilities were repayable as follow:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 1 year	**(5,277)**	(5,025)
After 1 year but within 2 years	**(590)**	(5,277)
After 2 years but within 5 years	**(1,953)**	(1,859)
After 5 years	**(9,605)**	(10,289)
	(12,148)	(17,425)
	(17,425)	(22,450)

24 Income tax in the consolidated statements of financial position

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

	2020 RMB'000	2019 RMB'000
At 1 January	**39,489**	27,776
Provision for PRC Enterprise Income Tax and PRC dividend withholding tax for the year	**105**	16,213
Decrease due to the disposal of subsidiaries	**–**	(4,165)
Tax paid	**(107)**	(335)
At 31 December	**39,487**	39,489

(b) Deferred tax asset and liabilities recognised

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

	PRC dividend withholding tax RMB'000	Depreciation charge of right-of-use assets RMB'000	Expected credit loss allowance RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:					
At 1 January 2019	3,101	–	–	(1,786)	1,315
Charged/(credited) to profit or loss	2,687	97	–	(1,084)	1,700
Decrease due to the disposal of subsidiaries	(431)	–	–	1,009	578
At 31 December 2019	5,357	97	–	(1,861)	3,593
At 1 January 2020	**5,357**	**97**	**–**	**(1,861)**	**3,593**
Charged/(credited) to profit or loss	**–**	**3**	**(9,672)**	**–**	**(9,669)**
Decrease due to the disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**
At 31 December 2020	**5,357**	**100**	**(9,672)**	**(1,861)**	**(6,076)**

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

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

(ii) Reconciliation to the consolidated statements of financial position

	31 December 2020 RMB'000	31 December 2019 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	(11,600)	(1,928)
Net deferred tax liability recognised in the consolidated statement of financial position	5,524	5,521
	(6,076)	3,593

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(v), the Group has not recognised deferred tax assets in respect of cumulative tax losses of certain of its subsidiaries of RMB79,429,000 (2019: RMB35,486,000) as it is not probable that future taxable profits against which the losses can be utilised will be available to the relevant subsidiaries. The tax losses expire within the next five years.

(d) Deferred tax liabilities not recognised

As at 31 December 2020, temporary difference relating to retained earnings of the Company's PRC subsidiaries amounted to RMB304,271,000 (2019: RMB303,992,000) for which no deferred tax liabilities were recognised in respect of the PRC dividend withholding tax at 10% that would be payable on the distribution of these profits to the Group's subsidiaries outside the PRC as the Company has no plan to distribute them in the foreseeable future.

Pursuant to the currently applicable PRC Enterprise Income Tax rules, distribution of statutory surplus reserve upon liquidation shall be treated as dividend income which is subject to PRC dividend withholding tax at 10% or less if reduced tax treaties or arrangements. As at 31 December 2020, temporary differences relating to the statutory surplus reserve of the Company's PRC subsidiaries amounted to RMB73,971,000 (2019: RMB73,940,000). No deferred tax liabilities were recognised as at 31 December 2020 as the Company has no plan to liquidate these subsidiaries in the foreseeable future.

25 Capital, reserves and dividends

(a) Movements in components of equity

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

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

The Company

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2019	79,730	634,429	146,736	(130,540)	730,355
Changes in equity for 2019:					
Profit and total comprehensive income for the year	–	–	–	137,185	137,185
Shares issuance	10,848	172,975	–	–	183,823
Balance at 31 December 2019 and 1 January 2020	**90,578**	**807,404**	**146,736**	**6,645**	**1,051,363**
Change in equity for 2020:					
Profit and total comprehensive income for the year	**–**	**–**	**–**	**56,625**	**56,625**
Balance at 31 December 2020	**90,578**	**807,404**	**146,736**	**63,270**	**1,107,988**

(b) Share capital

Authorised and issued share capital are as follows:

	2020		2019	
	Number of shares	**RMB'000**	Number of shares	RMB'000
Authorised:				
Ordinary shares of USD0.01 each	**10,000,000,000**	**632,110**	10,000,000,000	632,110
Ordinary shares, issued and fully paid:				
At 1 January	**1,416,911,818**	**90,578**	1,254,749,656	79,730
Shares issuance	**–**	**–**	162,162,162	10,848
At 31 December	**1,416,911,818**	**90,578**	1,416,911,818	90,578

25 Capital, reserves and dividends (Continued)

(c) Nature and purpose of reserves

(i) Statutory surplus reserve

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

(ii) Other reserve

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

(d) Distributability of reserves

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

As at 31 December 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB870,674,000 (2019: RMB814,049,000). The directors do not recommend the payment of a final dividend (2019: RMB nil) for the year ended 31 December 2020.

(e) Capital management

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

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle trade receivables in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to customers, depending on the nature of business. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. The Group has no concentrations of credit risk in view of its large number customers. In response to the Covid-19 pandemic, the Group has also been performing more frequent reviews of sales for customers who are severely impacted.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

26 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

The following table provide information about the Group's exposure to credit risk and ECLs for trade receivables:

	2020		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0.8%**	**100,451**	**796**
Less than 3 months past due	**5.1%**	**76,610**	**3,869**
3 to 6 months past due	**7.1%**	**2,059**	**147**
6 to 12 months past due	**14.8%**	**34,901**	**5,165**
More than one year past due	**75.1%**	**11,002**	**8,264**
		225,023	**18,241**

	2019		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.2%	239,528	527
Less than 3 months past due	4.3%	2,000	86
3 to 6 months past due	5.2%	25,147	1,295
6 to 12 months past due	13.2%	5,300	700
1 to 2 years past due	77.3%	1,942	1,502
		273,917	4,110

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

26 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2020	2019
	RMB'000	RMB'000
Balance at 1 January	**4,110**	4,682
Disposal of subsidiaries	**–**	(4,040)
Impairment losses recognised during the year	**14,131**	3,468
Balance at 31 December	**18,241**	4,110

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance:

– origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB269,000 (2019: RMB318,000);

– increase in days past due over 30 days resulted in an increase in loss allowance of RMB9,794,000 (2019: RMB3,150,000); and

– Individual identification of loss allowance resulted in an increase in loss allowance of RMB4,068,000 (2019: RMB Nil);

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

26 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

The steps taken or will be taken by the Group to respond to possible future liquidity constraints arising from the Covid-19 pandemic and the impact of those steps on the consolidated financial statements include but not limited to the following:

– The Group has raised funds through issuing new stocks and debts (note 31);

– The Group is applying for banking facilities to respond to possible future liquidity needs;

– The Group is in negotiation with certain local government to set up mutual funds for supporting the Group's future developments; and

– The Group will continue to pay close attention to its core business and make good use of its resources, together with managing its working capital, with an aim to attain positive and sustainable cash flow from operations.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years within 5 years RMB'000	After 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	37,040	–	–	–	37,040	35,500
Trade creditors, bills payable, other creditors and accrued charges	132,031	–	–	–	132,031	131,536
Convertible bonds – host liability component	90,104	–	–	–	90,104	104,759
Bonds	39,086	–	–	–	39,086	36,374
Other lease liabilities	6,152	1,200	3,600	12,600	23,552	17,425
	304,413	1,200	3,600	12,600	321,813	325,594

As shown in the above analysis, convertible bonds amounting to RMB90,104,000 were due to be repaid during 2021. The short-term liquidity risk inherent in this contractual maturity date has been addressed after the end of the reporting period as disclosed in note 31.

26 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

	2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years within 5 years RMB'000	After 5 years RMB'000	Total RMB'000	Carrying Amount RMB'000
Bank loans	10,500	–	–	–	10,500	10,000
Trade creditors, bills payable, other creditors and accrued charges	198,766	–	–	–	198,766	196,003
Convertible bonds – host liability component	178,901	–	–	–	178,901	161,462
Bonds	11,603	221,498	–	–	233,101	218,051
Other lease liabilities	6,152	6,152	3,600	13,801	29,705	22,450
	405,922	227,650	3,600	13,801	650,973	607,966

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

26 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (being interest-bearing financial liabilities less pledged bank deposits and bank deposits) at the end of the reporting period.

	2020		2019	
	Effective interest rate		Effective interest rate	
	%	**RMB'000**	%	RMB'000
Net fixed rate borrowings:				
Lease liabilities	**5.02%**	**17,425**	5.02%	22,450
Bank loans	**4.05%-4.76%**	**35,500**	4.79%-5.22%	10,000
Bonds	**8.00%**	**36,374**	6.00%	218,051
Convertible bonds – host liability component	**21.97%**	**104,759**	21.97%	161,462
Obligations under finance lease	**–**	**–**	–	–
Less: pledged bank deposits	**0.30%-0.35%**	**–**	0.30%-0.35%	–
		194,058		411,963
Variable rate borrowing:				
Less: bank deposits	**0.30%-0.35%**	**(11,621)**	0.30%-0.35%	(193,419)
Total net interest-bearing borrowings		**182,437**		218,544

26 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decrease/increase the Group's loss for the year by approximately RMB46,000 (2019: increase/decrease the Group's profit for the year by approximately RMB804,000), and increase/decrease the Group's retained earnings by approximately RMB46,000 (2019: RMB804,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2019.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of non-PRC companies comprising the Group into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Renminbi)			
	2020		2019	
	USD	**HKD**	USD	HKD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade and other receivables	**15,961**	**371,072**	9,399	464,001
Cash and cash equivalents	**7**	**2,504**	117,533	49,009
Convertible bonds	**–**	**(108,055)**	–	(281,962)
Bonds	**–**	**(36,374)**	–	(218,051)
Trade and other payables	**–**	**(1,566)**	(682)	(1,633)
Net exposure arising from recognised assets and liabilities	**15,968**	**227,581**	126,250	11,364

26 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

The following table indicates the instantaneous change in the Group's loss for the year (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group have significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2020		2019	
	USD RMB'000	**HKD RMB'000**	USD RMB'000	HKD RMB'000
Increase in foreign exchange rates	**5%**	**5%**	5%	5%
Effect on loss for the year	**(667)**	**(11,379)**	5,271	198
Decrease in foreign exchange rates	**(5%)**	**(5%)**	(5%)	(5%)
Effect on retained profits	**667**	**11,379**	(5,271)	(198)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' (loss)/profit for the year and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2019.

26 Financial risk management and fair values (Continued)

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives of the Group. As at the end of the reporting period the Group is exposed to this risk through the conversion rights attached to the convertible bonds issued by the Company as disclosed in note 22(b).

At 31 December 2020, it is estimated that an increase/(decrease) of 10% (2019: 10%) in the Company's own share price (for the derivatives embedded in the convertible bonds), with all other variables held constant, would have decreased/increased the Group's loss for the year (and retained profits) and other components of consolidated equity as follows:

	2020			2019		
		Effect on loss for the year RMB'000	**Effect on retained profits RMB'000**		Effect on profit for the year RMB'000	Effect on retained profits RMB'000
Change in the relevant equity price risk variable:						
Increase	**10%**	**126**	**126**	10%	(27,849)	(27,849)
Decrease	**(10%)**	**147**	**147**	(10%)	27,849	27,849

The sensitivity analysis indicates the instantaneous change in the Group's loss for the year (and retained profits) that would arise assuming that the changes in the Company's own share price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period.

26 Financial risk management and fair values (Continued)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs

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

	Fair value at 31 December 2020 RMB'000	Fair value measurements as at 31 December 2020 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Derivatives embedded in convertible bonds	**3,296**	**–**	**–**	**3,296**

26 Financial risk management and fair values (Continued)

(f) Fair value measurement (Continued)

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

Fair value hierarchy **(Continued)**

	Fair value at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Derivatives embedded in convertible bonds	120,500	–	–	120,500

During the years ended 31 December 2019 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Range**	**Weighted average**
Derivatives embedded in convertible bonds	Black Scholes model	Expected volatility	22% to 83% (2019: 12% to 58%)	47% (2019: 34%)

The fair value of the derivatives embedded in the convertible bonds is determined using Black Scholes model and the significant input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2020, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would not have material impact on the Group's profit for the year (2019: no material impact on the Group's loss).

26 Financial risk management and fair values (Continued)

(f) Fair value measurement (Continued)

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

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

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

	2020 RMB'000	2019 RMB'000
Derivatives embedded in convertible bonds:		
At 1 January	**120,500**	172,611
On issuance	**–**	(76,329)
Change in fair value recognised in profit or loss for the year	**(113,266)**	29,710
Exchange adjustments	**(3,938)**	(5,492)
At 31 December	**3,296**	120,500
Total gains for the year included in profit or loss	**(117,204)**	(52,111)

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

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

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

	Carrying amounts at 31 December 2020 RMB'000	Fair value at 31 December 2020 RMB'000	Fair value measurements as at 31 December 2020 categorised into		
			Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Convertible bonds					
– host liability component	104,759	98,884	–	98,884	–
Bonds	36,374	36,022	–	36,022	–

26 Financial risk management and fair values (Continued)

(f) Fair value measurement (Continued)

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

	Carrying amounts at 31 December 2019 RMB'000	Fair value at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into		
			Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Convertible bonds					
– host liability component	161,462	157,998	–	157,998	–
Bonds	218,051	216,394	–	216,394	–

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the convertible bonds and bonds is estimated as being the present values of future cash flows, discounted at interest rates based on the government yield curve as at the end of the reporting period plus an adequate credit spread, adjusted for the Group's own credit risk.

27 Commitments

Capital commitments outstanding at 31 December 2020 not provided for in the consolidated financial statements were as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contracted for		
– Acquiring services relating to production of drama series and films	**76,476**	43,277

28 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2020	2019
	RMB'000	RMB'000
Short-term employee benefits	**5,433**	5,401
Post-employment benefits	**31**	97
	5,464	5,498

Total remuneration is disclosed in "staff costs" (see note 5(b)).

(b) Outstanding balances with related parties

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

		31 December	31 December
		2020	2019
	Note	**RMB'000**	RMB'000
Amount due from a shareholder of the Company	*(i)*	**249,218**	337,617
Amount due to a shareholder of the Company	*(ii)*	**36,374**	–

(i) The amount due from a shareholder is included in "trade and other receivables" (note 18).

(ii) The amount due to a shareholder is included in "other borrowings" (note 22).

(c) Material transactions with related parties

The Group has no material transactions with related parties for the year ended 31 December 2020 and 2019.

29 Company-level statement of financial position

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current assets			
Investments in subsidiaries	14	**500,873**	500,873
Other receivables		**–**	138,906
		500,873	639,779
Current assets			
Amounts due from subsidiaries		**650,884**	650,884
Other receivables		**169,300**	325,095
Cash and bank		**2,247**	4,313
		822,431	980,292
Current liabilities			
Amounts due to subsidiaries		**67,061**	67,061
Other payables		**3,826**	1,634
Other borrowings		**144,429**	281,962
		215,316	350,657
Net current assets		**607,115**	629,635
Total assets less current liabilities		**1,107,988**	1,269,414
Non-current liabilities			
Other borrowings		**–**	218,051
Net assets		**1,107,988**	1,051,363
Capital and reserves	25		
Share capital		**90,578**	90,578
Reserves		**1,017,410**	960,785
Total equity		**1,107,988**	1,051,363

Approved and authorised for issue by the board of directors on 25 March 2021.

Chen Chen	**He Han**
Director	*Director*

30 Impact of the COVID-19 pandemic

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

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include: reassessing changes to the customers' preferences on the types of drama series to be broadcasted, assessing the readiness of the production units and revisiting the progress of self-produced drama series, negotiating with customers on possible delay in delivery timetables, increase monitoring of the business environment of the Group's customers, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on payment extensions.

The Covid-19 pandemic did have a significant impact on the Group's operation and capital position, but did not change the fundamentals of the Group's ability to continue as a going concern. The Group now has strengthened the recovery of receivables, increased the issuance of drama series and films, and adjusted the drama and films reserves. The Group will keep the contingency measures under review as the situation evolves.

31 Non-adjusting events after the reporting period

On 5 January 2021, the Company and Jinbi Market (Hong Kong) Limited (the "**Subscriber**") entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe, for an aggregate of 101,137,134 new shares at the Subscription price of HKD0.156 per subscription share, which in aggregate amount to a total of approximately HKD15,777,000. All the conditions have been fulfilled and the completion took place on 19 January 2021 in accordance with the terms and conditions of the Subscription Agreement. The net proceeds of the Subscription are approximately HKD15,730,000. Further to completion of the Subscription, the adjusted conversion price of the outstanding convertible bonds was further adjusted to HKD0.156 per conversion share.

On 26 February 2021, convertible bonds with entire principal amount of HKD20,000,000 held by BeiTai were converted into 128,205,128 shares at the adjusted conversion price of HKD0.156 per conversion share.

On 26 February 2021, the Company announced to redeem the convertible bonds in the aggregate principal amount of HKD50,000,000 held by the Original Bondholder, leaving the convertible bonds in the aggregate principal amount of HKD50,000,000 remain outstanding after the partial redemption. On 24 March 2021, the Company further announced that the Company received a notice from Original Bondholder confirming potential extension and potential transfer of the outstanding convertible bonds, with terms subject to the entering into of a legally binding agreement between the relevant parties.

32 Comparative Figures

Certain comparative figures have been adjusted to conform with the current year's presentation.

(Expressed in Renminbi Yuan unless otherwise indicated)

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16, Interest Rate Benchmark Reform-Phase 2	1 January 2021
Amendments to IFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17, Insurance contracts	1 January 2023
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.