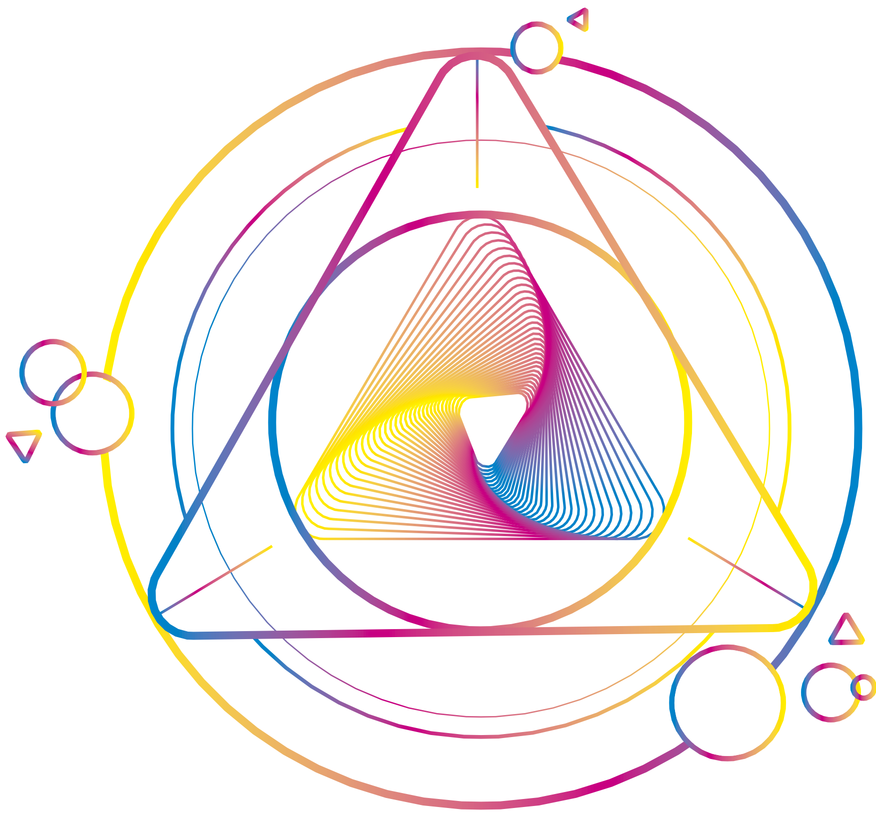
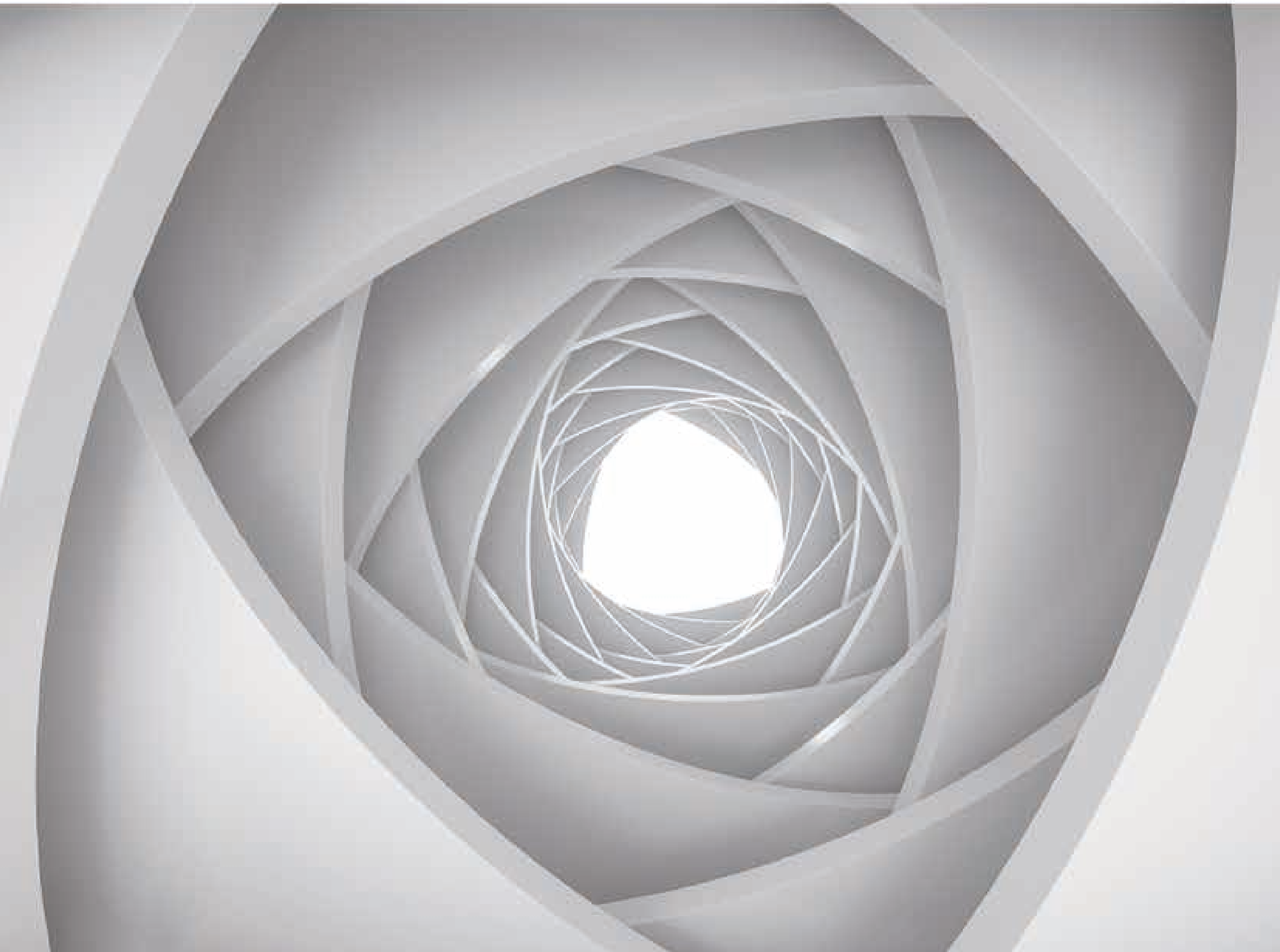
ANNUAL REPORT
2020 年報

STOCK CODE 股份編號 00623



SinoMedia®

中視金橋國際傳媒控股有限公司
SinoMedia Holding Limited



About us

SinoMedia Holding Limited (the "Company" or "SinoMedia") and its subsidiaries (collectively the "Group") is a leading media operation group in China which focuses on conducting cross-media investment and operation with creative video communication as its core capability, so as to meet the demands of client market for the communications of "three screens" among television, internet and mobile internet. The Group currently owns business sections including CCTV's advertising agency business, brand content creative communication, film and television program investment and production, and internet precision marketing. It is an early pioneer in China's city image and tourism brand creative communication field and has remained a leader in that field for many years. It is also one of the leaders in brand advertising services for industries such as finance and insurance, automobiles and consumer goods. In the past over 20 years, SinoMedia has provided comprehensive and professional creative communication services for more than 3,000 clients in total at home and abroad.

Contents

Financial Summary

RMB'000	**For the year ended 31 December 2020**	For the year ended 31 December 2019	Change (%)
Revenue	**1,175,947**	1,496,813	-21%
Profit from operations	**125,385**	37,119	+238%
Profit attributable to equity shareholders of the Company	**87,213**	26,403	+230%
Earnings per share			
— Basic and Diluted	**18.1 RMB cents**	5.4 RMB cents	+235%
Proposed final dividend per share	**9.00 HKD cents**	2.41 HKD cents	+273%

REVENUE

RMB'000	**For the year ended 31 December 2020**	For the year ended 31 December 2019	Change (%)
TV media resources management	**941,995**	1,251,770	-25%
Content operations and Other integrated communication services	**99,990**	94,364	+6%
Digital marketing and Internet media	**78,252**	98,409	-20%
Rental income	**64,938**	63,236	+3%
Sales taxes and surcharges	**(9,228)**	(10,966)	-16%
	1,175,947	1,496,813	

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chen Xin *(Chairman)*

Ms. Liu Jinlan

Mr. Li Zongzhou

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qi Daqing

Ms. Ip Hung

Dr. Tan Henry

Dr. Zhang Hua

AUDIT COMMITTEE

Mr. Qi Daqing *(Chairman)*

Ms. Ip Hung

Dr. Zhang Hua

REMUNERATION COMMITTEE

Ms. Ip Hung *(Chairman)*

Mr. Chen Xin

Dr. Zhang Hua

NOMINATION COMMITTEE

Mr. Chen Xin *(Chairman)*

Mr. Qi Daqing

Dr. Tan Henry

COMPLIANCE COMMITTEE

Mr. Li Zongzhou *(Chairman)*

Mr. Wang Yingda

COMPANY SECRETARY

Mr. Wang Yingda

AUTHORISED REPRESENTATIVES

Mr. Chen Xin

Mr. Wang Yingda

PRINCIPLE PLACE OF BUSINESS

7/F, The Place — SinoMedia Tower,
No. 9 Guanghua Road, Chaoyang District,
Beijing, PRC

Unit 15D, Xintian International Plaza,
No. 450 Fushan Road, Pudong New District,
Shanghai, PRC

REGISTERED OFFICE OF THE COMPANY

Unit 417, 4th Floor, Lippo Centre,
Tower Two, No. 89 Queensway, Admiralty,
Hong Kong

AUDITORS

KPMG
Public Interest Entity Auditor registered
in accordance with the Financial Reporting
Council Ordinance

SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road, North Point,
Hong Kong

WEBSITE

www.sinomedia.com.hk

NOVEMBER

SinoMedia Attended China International Agricultural Trade Fair

SinoMedia once again presented itself in the 18th China International Agricultural Trade Fair, the biggest annual fair in agriculture staged in Chongqing International Expo Center, and presented concentrations of its classic cases of communicating public brands in the rural area over recent years, recommending premium sources to State-level media platforms for the rising of agricultural brands. So far, SinoMedia has offered professional communication services such as brand planning, logo design, advertisement filming and making, and advertisement placement in CCTV media for public brands in Jiangxi, Hubei, Guangxi, Hunan, Jilin, and other provinces and autonomous regions as well as many counties and cities. SinoMedia is committed to enhancing the implementation capacity for creative planning and "TV + Internet" communication to amplify voice for "Make Stronger Agriculture by Brands" and drive rural revitalization by leveraging the strength of national mainstream media in communication.

DECEMBER

Chinese Youth Talk Show program is among the list of the large-scale survey of "TV Landmark" and "Voice of Times"

Press conference of the Large-scale Survey Results of "TV Landmark" (2020) China TV Media and "Voice of Times" National Radio Industry Comprehensive Strengths was grandly staged in Radio and TV International Hotel in Beijing. Season 1, Chinese Youth Talk Show, in whose production SinoMedia participated, was awarded "Annual Excellent Innovative Youth Motivational and Educational Program". Chinese Youth Talk Show, a large talk show designed to share youth's ideas, is aimed at "From Opinion to Future" to manifest the good features of modern youth who are growing soundly. "TV Landmark" and "Voice of Times" conducted the in-depth survey in types of the national radio and TV industry, launched the special periodical and staged high-end forums, which brought them great influence in the industry and beyond, making it a big brand of the China radio and TV survey activities.

Chen Xin, Chairman of the Board of SinoMedia, was present at the 6th Annual Social Responsibility Meeting of China Food Enterprises

The 6th Annual Social Responsibility Meeting of China Food Enterprises themed "focus on food development to build up consensuses in responsibility" was held in Xiamen, Fujian province. Addressing the meeting, Chen Xin, Chairman of the Board of SinoMedia, said people regard food as their prime want. Food safety counts a lot for the economy and the people's livelihood. Furthermore, food industry development represents solutions to rural industrial revitalization and the issue relating to agriculture, rural areas, and rural people. SinoMedia, leveraging its strong creative inter-screen communication strengths, promotes the construction of food industry brands to help the food industry aiming at shaping "health, safety, nutrition and good taste with great craftsmanship expand the market and find favor with more consumers.

www.boosj.com contributed to Guangdong rural public farewell square dancing competition

www.boosj.com jointly organized the cultural and consumption poverty reduction public farewell activity of Guangdong featuring "revitalizing rural culture and contributing to consumption poverty reduction". The activity was lively. Specifically, it, using the poplar cultural and entertainment activities among the mass like square dancing and taking into consideration the new trend of consumption poverty reduction, integrated the building of beautiful countryside, creating of happy life and shaping of rural agricultural product brands to add to the drivers for rural revitalization. www.boosj.com, offering live streaming throughout the activity, shaped a media matrix like the special app "Guangdong rural revitalization" using the media platform resources. It, through the live streaming interactions, video clips, voting, and online courses, made possible the interaction between online platforms and offline implementation, which enhanced the brand influence of www.boosj.com as a professional vertical service platform.

Awards and Recognition

Company Honours

Award: Level 1 Advertising Company (Comprehensive Services)
Time: January 2020
Awarded by: China Advertising Association
Descriptions: Level 1 is the highest qualification for advertising companies in China, which is granted by China Advertising Association. The rating is conditional on such ten indicators as the company operation size, staff competencies, service level, industrial influence, and others. China Advertising Association, founded in 1983, is a public institution directly under the State Administration for Industry and Commerce and an origination for the advertising industry. The Association is comprised of voluntarily by advertising owners and operators that have certain qualifications, together with enterprises, public institutions, and juridical associations related to the advertising industry.

Award: 2019 CCTV AAAA Credit Advertising Agency
Time: September 2020
Awarded by: CCTV Advertising Center
Descriptions: CCTV Advertising Center, according to the Measures of CCTV on Management of Credit System of Advertising Agencies, conducts the comprehensive rating of its advertising agencies. The rating is AAAA, AAA, AA, and A in descending order. The rating is conditional on agency advertising placement amount, agency service years, integrity records of agency business, contract implementation and performance, and bad records. SinoMedia has been awarded the honor for the fifth year in a row.

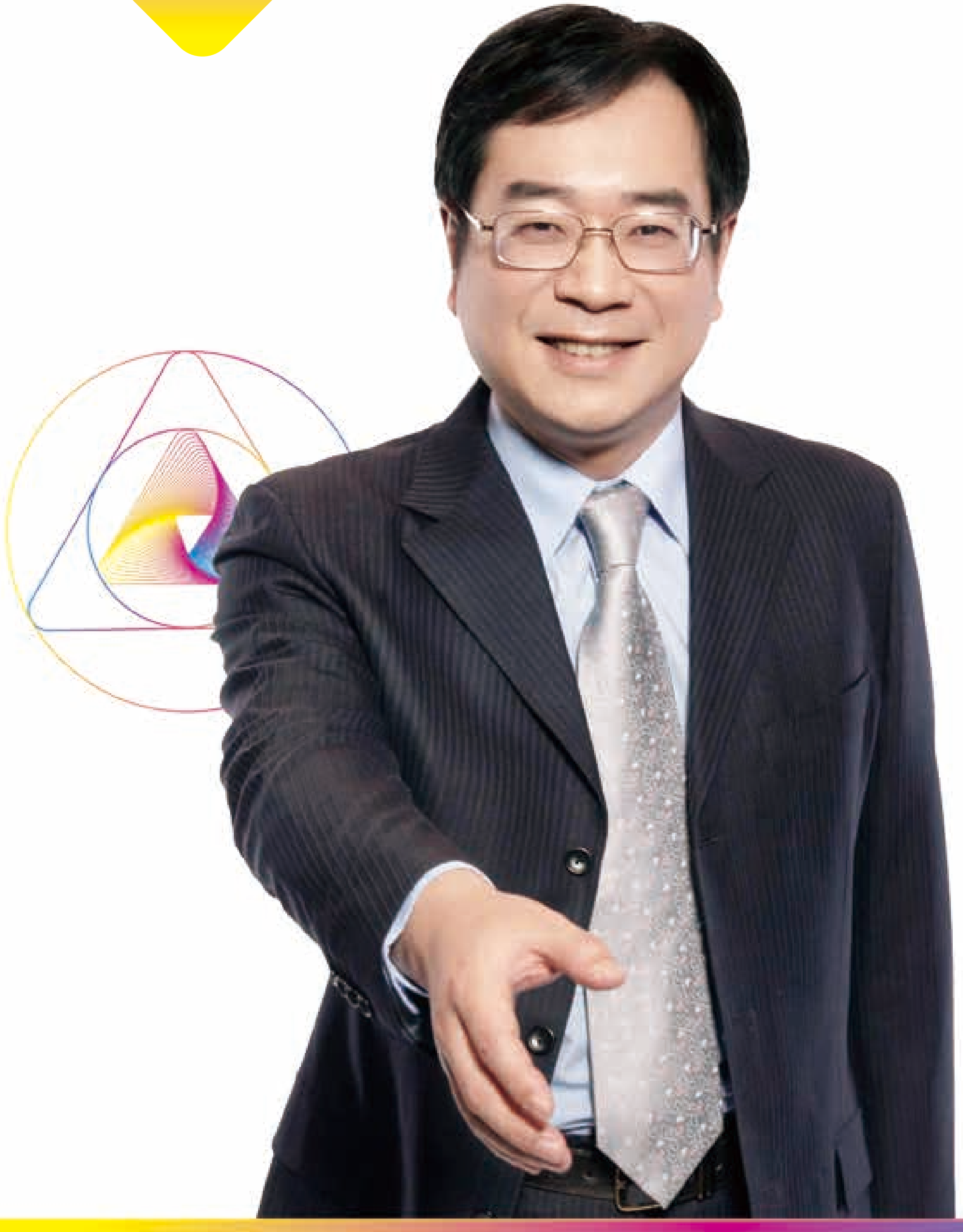
Professional Honours

Awarded Work: TV program-Season 1, Chinese Youth Talk Show
Award: TV Landmark (2020) Large-scale Survey of Comprehensive Strength of China TV Media-Annual Excellent Innovative Youth Motivational and Educational Program
Time: December 2020
Awarded by: China Radio Film & TV Office of National Radio and Television Administration
Descriptions: "TV Landmark" conducted the in-depth survey in types of the national radio and TV industry, launched the special periodical and staged high-end forums, which brought it a great influence in the industry and beyond, and has been recognized by the authorities responsible for radio and TV administration and academic circle of the radio and TV industry, making it a big brand of the China radio and TV survey activities.

Awarded Work: 2019 SinoMedia Annual Report
Award: Gold Winner of 2019 LACP Best Annual Report in Media, Top 100 of the LACP World's Best Annual Reports
Time: December 2020
Awarded by: LACP
Descriptions: The LACP Vision Awards, launched back in 2002, is one of the major annual report events widely hailed by the industry. As the selection of top 100 does not require sectors or enterprise size, it is known as the "Annual Report Olympics" and enjoys great professionalism and authority in the industry.

Awarded Work: 2019 SinoMedia Annual Report
Awarded: Bronze Winner of ARC Chairman's Statement in Annual Report, Bronze Winner of ARC Making and Printing of Annual Report, ARC Honorary Award in illustrations of Annual Report
Time: December 2020
Awarded by: International ARC Jury
Descriptions: International ARC Awards, one of the largest and most authoritative international annual report awards, are internationally recognized and influential and the "Annual Report Oscar Award" hailed by financial and economic media.

Chairman's Statement



Chen Xin

2020 was a year full of challenges undoubtedly. The outbreak of COVID-19 epidemic brought the society as a whole to a standstill, the macro-economy was seriously affected and the growth rate of GDP in the first quarter turned from positive to negative. Consequently, all sectors suffered the impact and challenges imposed by the epidemic in some way, and the advertising industry, which is closely related to the economic environment, was no exception. According to the data released by CTR Media Intelligence, the advertising expenses throughout 2020 decreased by 11.6% year-on-year.

During the epidemic, the Group firmly abided by the deployment and requirements of the State on the epidemic fight efforts, implemented the measures ensuring employees' health and safety, and strove to maintain the staff's jobs stable. In addition, in response to the falling growth rate and the huge pressure on the operation and development caused by the epidemic, the Group took rapid action by optimizing business structure and effectively controlling the business costs and operating expenses, which maintained the financial stability.

Out of the concern over the declining consumption demand caused by the epidemic in 2020, some advertisers took a more prudent attitude to the TV advertising placement than before, which resulted in a drop in advertising budgets compared with last year. Accordingly, the revenue of the Group in the core advertising business declined. In the current media ecological circle, however, the traditional media, represented by China Media Group, always enjoys the advantages featuring high coverage and public credibility. As one of the leading creative communication providers in the industry and one of the largest advertising agencies of China Media Group, the Group took the initiative in integrating the upper and lower streams of the industry chain and optimizing the media resources structure. Furthermore, the Group was a strong champion of the amplified communication effect through the quality media resources of all channels of CCTV and the internet media market using excellent visual creative expressions, offering clients one-stop solutions to their brand positioning, visual creativity, communication strategies, media implementation and effect assessments.

The Group accelerated the development of the content marketing business with the R&D and production of video programs as the core, to customize creative video programs for clients and to realize their brand communication value by means of content marketing. In 2020, the Group offered creative communication services to clients and the business revenue saw a remarkable increase compared with last year through live streaming interactions, video clips, content imbedding, program planning, animation development, promotional campaigns and other forms. Among them, Chinese Youth Talk Show (中國少年說), a large talk show designed to share youth's ideas, the first season of which is 10 episodes with each 60 minutes, was broadcasted on CCTV-14 (Children's Channel), with remarkable audience effect and attentions from all walks of life. The Group participated in the planning and production and co-presented the program with the Sports and Youth Program Center of China Media Group.

Despite the decline in the digital marketing business resulting from the epidemic, the Group followed the development trend of internet media by tapping into quality media resources, upgrading and updating its self-developed intelligent programming advertising placement platform iBCP so as to enhance clients' placing effect and brand influence on the internet by optimizing the marketing efficiency of the advertising placement using big data. With the mitigating epidemic efforts further enhanced, the market demand would resume over time. www.boosj.com (播視網) of the Group, concentrating on the core demand of family life, developed two major content series of the healthy life of the middle-aged and elderly and parent-child talent training. By means of precise content distribution, socialising users' interactions and online and offline combination, www.boosj.com offered interactive platforms and channels linking products and services to family users and enterprise clients.

As a leading integrated media operation group in China, we are committed to our mission and vision by moving forward in the strategic direction with inter-screen creative communication as the core with the aim of enhancing the value of clients' brands. We are convinced that, despite the changing market or the media, content creativity and brand strategy will remain the core competitiveness to empower and increase value for our partners. Confronting the severe market environment and the economic recovery full of uncertainties, the Group will develop the client market by seizing development opportunities in all sectors. Meanwhile, the Group will also accelerate the expansion of brand investment management in the consumption field by focusing on the industry chain of parent-kid family consumption so as to further promote the optimization of our business structure and the development of brand business.

My thanks must go to all of our Shareholders and business partners for your long care, support and trust. We will join each other to strive ahead for a shared future.

Chen Xin
29 March 2021

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Management Discussion and Analysis

ABOUT THE GROUP

Hit hard by the outbreak of COVID-19 epidemic, the advertising market saw a sharp placement drop in 2020. Given the heavy toll on tourism, transportation, entertainment and leisure and other sectors, advertisers opted to take a more prudent contraction policies to avoid the possible risks, which led to shrinking placement intentions. According to the market study released by CTR Media Intelligence, the advertising expenses of all media were on constant decline, representing a year-on-year decrease of 34.8% from February 2020 and 0.8% from December 2020. The overall placement throughout the year still saw a big gap as compared with previous years despite the narrowing drop. (Source: CTR Media Intelligence, February 2021).

The Group took rapid action on the industry recession and market challenges posed by the epidemic by adjusting and optimizing business structure, effectively controlling business costs and expenses, and maintained financial stability. Confronting the plight, the Group tapped into clients' demand and developed clients market by innovative marketing tactics and media products mix. Meanwhile, by focusing on the existing strengths and core competitiveness, the Group kept moving forward in the strategic direction that takes inter-screen creative communication services as the core, and committed ourselves to providing clients with high-quality creative products and communication services.

BUSINESS REVIEW

TV ADVERTISING AND CONTENT OPERATIONS

I. TV Media Resources Management

During the year under review, the Group had a total of approximately 1,098 minutes of advertising resources on China Media Group CCTV-1 (General)/CCTV-News and CCTV-4 (Chinese International), and the exclusive underwriting right for 66,667 and 57,825 minutes of all advertising resources of CCTV-9 (Documentary Channel) and CCTV-14 (Children's Channel), respectively. It covered the markets of news, politics, culture and children's programs, and brought diversified communication channels to clients. Its specific media resources include the "News 30'" (新聞30分) jointly broadcast on CCTV-1 (General)/CCTV-News, and "Focus Today" (今日關注) on CCTV-4 (Chinese International), as well as all advertising resources of CCTV-9 (Documentary Channel) and CCTV-14 (Children's Channel). Facing the severe market environment affected by the epidemic in the year, the Group, integrated its own strengths, optimized timely the media resources structure so as to maintain the ability of client development and service in the TV advertisement marketing.

II. Content Operations

The Group provided clients with comprehensive and professional advertisement video production services. During the year under review, the Group successively served China Banknote Printing and Minting Corporation, China Gold Coin Incorporation, China Construction Bank, Hua Xia Bank, Sinopec EPEC, PICC, Chimelong Group, Great Wall Wine, Zhengzhou Tourism, Yuxi Tourism, Jinyun Tourism, GANI Marble Tiles, Yangtze River Pharm and other clients, providing services involving graphic design, advertising video shooting, producing and editing.

In terms of content marketing business, the Group offered creative communication services to Chimelong Group, SK Group and Country Garden Group, Aptamil Milk Powder, Guagualong (瓜瓜龍), Readboy, Dettol and other clients through live streaming interactions, video clips, content imbedding, program planning, animation development and promotional campaigns and other forms. Among them, Fei Chang You Xue Tuan (非常遊學團), a season program creative planned, named and promoted by the Group for Chimelong Group with 6 episodes, were broadcasted on CCTV-14 (Children's Channel) during the year under review. In addition, the promotional campaigns by cloud live streaming customized by the Group for Fei Chang You Xue Tuan received 100 thousands of views from such platforms as www.boosj.com (播視網), Tik Tok (抖音), Kuaishou (快手) and Bilibili. Chinese Youth Talk Show (中國少年説), a large talk show designed to share youth's ideas, the first season of which is 10 episodes with each 60 minutes, was broadcasted on CCTV-14 (Children's Channel) in the year under review, with remarkable audience effect and attentions from all walks of life. The Group participated in the planning and production and co-presented the program with the Sports and Youth Program Center of China Media Group.

III. Other Integrated Communication Services

The Group has gained recognition by a large number of well-known clients for its professional and highly efficient communication services and caring client service philosophy. During the year under review, the Group provided brand information, advertising placement, promotion planning, public relation activities and other multi-dimensional brand integrated communication services to clients including China Feihe, Ping An, China Life Insurance, Hubei Agricultural Products, Suzhou Tourism, Quzhou Tourism, Didi and China Welfare Lottery Management Center.

In respect of the international business, the Group actively offered Chinese market promotion, media propaganda, creative planning and other services to overseas clients. The main clients during the year under review included Ottawa Tourism Board, Washington Tourism Board, Tourism Toronto, Go Turkey Tourism, Thailand Convention & Exhibition Bureau and YTL Hotels, etc.

DIGITAL MARKETING AND INTERNET MEDIA

I. Digital Marketing

The Group followed the development trend of the internet media and advertisers' placement demand, upgraded and updated its self-developed intelligent programming advertising placement platform iBCP. During the year under review, the Group launched its iBCP version 9.0, which was designed to optimize the real-time placing effect using big data, contributing to higher marketing efficiency. In response to the impact of the COVID-19 epidemic in the digital advertising market, the Group stayed committed to improving integrated internet service ability so as to discover clients' demand in the internet communication, and offered clients one-stop digital marketing solutions. During the year under review, the Group successively served China Feihe, Huawei Technologies, Sinopec Epec, PICC, Guizhou Zhenjiu (貴州珍酒), Sichuan Langjiu (四川郎酒), Dongfeng Nissan, GOME Appliances, Empereur Tea, Yong Feng Yuan and other clients, receiving a high degree of recognition and praise therefrom.

II. Internet Media

During the year under review, www.boosj.com (播視網) of the Group more clearly defined the operating model of "online+offline, content+campaign". Specifically, www.boosj.com was committed to originating content, diversifying content products, expanding distribution channels, exploring IP cooperation and creating new campaign forms, so as to enhance the whole network integrated marketing ability and to offer clients with creative communication services.

www.boosj.com, concentrated on the core position of "parent-child companionship", made constant efforts in the original contents for infants and children enlightenment to reinforce the content series in children's dance, ancient poetry learning, storytelling, small handwork and minor popularization of science. The newly launched "Xiaoyishu+" platform integrated offline training institutes with children's talent shows and events at its core, focusing on shaping a platform dedicated to children's talent services.

In addition, Boosj Square Dancing cooperated with Country Garden Group for the fourth straight year, with increasing size and diversified forms. In the public welfare activity of Guangdong Province featuring cultural and consumption poverty alleviation in 2020, the ability of www.boosj.com in communities operating was proved, with contents of fitness and entertainment which represented by square dancing, expanded to the fields of the middle-aged and elderly health care, cultural and living consumption.

www.wugu.com.cn (吾谷網) of the Group further emphasized the communication focus and featured services of "Strengthen Agriculture by Brand" in the agricultural internet information services. It coordinated with the Group's TV media resources management business using its own platform and We-media to form a media matrix in the vertical agricultural brand communication, to offer creative planning, media communication and public relation services to the public brands in the agricultural areas dominated by governments.

FINANCIAL REVIEW

REVENUE AND PROFIT ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

For the year ended 31 December 2020, the Group recorded revenue of RMB1,175,947 thousand, representing a decrease of approximately 21% from RMB1,496,813 thousand last year.

Revenue details for the year under review were as follows:

(I) Revenue recorded from TV media resources management was RMB941,995 thousand, representing a decrease of approximately 25% from RMB1,251,770 thousand last year. Suffered from the lasting weakness in the whole advertising market caused by the COVID-19 epidemic, certain advertisers held a prudent attitude to the TV advertising placement due to the declining market consumption demand. Advertisement placing from tourism clients decreased sharply compared with that of last year, which resulted in the drop of sold minutes of the Group's advertising resources in the core programs compared with that of last year. Facing the pressures and challenges, the Group will stay focus on the consumption insight study of all sectors to better seize each opportunity to develop new clients. The market demand would rise over time with the mitigating epidemic efforts enhanced, which would contribute to further improve sales.

(II) Revenue recorded from content operations and other integrated communication services was RMB99,990 thousand in total, representing an increase of approximately 6% from RMB94,364 thousand last year, of which, Revenue recorded from content operations was RMB31,419 thousand, representing an increase of approximately 26% from RMB25,024 thousand last year. The revenue was mainly from the production of program content and creative video clips. In the year, the Group enhanced the ability of creative communication in living consumption market and offered clients with more diversified creative content service options. The Group produced live streaming interactive programs for clients and participated in the content marketing and video production of children's programs produced by CCTV, with the revenue increased significantly compared with last year.

Revenue recorded from other integrated communication services was RMB68,571 thousand, which was basically flat compared with that of RMB69,340 thousand last year. The revenue was mainly from the commission income from media suppliers as the Group procures media sources in the capacity of an agent for clients.

(III) Revenue recorded from digital marketing and internet media was RMB78,252 thousand in total, representing a decrease of approximately 20% from RMB98,409 thousand last year. With the decreased advertising budgets of clients affected by the COVID-19 epidemic, the revenue from digital marketing business recorded a decrease compared with last year. The revenue from the internet media was basically flat compared with that of last year.

(IV) Rental income was RMB64,938 thousand, representing an increase of approximately 3% from RMB63,236 thousand for last year. It was mainly due to the rental increase of certain office buildings pursuant to lease agreements, as a result, the revenue was slightly higher than that of last year.

The Group controlled business costs and operating expenses effectively despite revenue decreased. Meanwhile, due to the positive impact on profit resulted from the income on disposal of equity securities and the changes in fair value of equity securities, the profit for the year of the Group recorded a remarkable increase compared with last year. For the year ended 31 December 2020, the profit attributable to equity shareholders of the Company was RMB87,213 thousand, representing an increase of approximately 230% from RMB26,403 thousand last year.

OPERATING EXPENSES

For the year ended 31 December 2020, the Group's operating expenses were RMB163,439 thousand in total, representing a year-on-year increase of approximately 9.6% from RMB149,144 thousand last year, and accounted for approximately 13.9% of the revenue (2019: 10.0%). Facing the changing market and operating pressure imposed by the epidemic, the Group responded actively by taking multiple measures to reduce operating expenses while trying its best effort to secure employees jobs in response to the government's call. Due to the negative impact on economic activities imposed by the epidemic, the Group recognized impairment losses on certain assets of RMB59,460 thousand by following the principle of prudence. This drove up the proportion of operating expenses to revenue compared with last year.

Operating expenses included the followings:

(I) Selling and marketing expenses amounted to RMB44,176 thousand, representing a decrease of approximately RMB13,851 thousand from RMB58,027 thousand last year, and accounted for approximately 3.8% of the Group's revenue (2019: 3.9%). The decrease of selling and marketing expenses was mainly due to the hindered business affected by the epidemic, resulting in reduction of expenses in traveling, production, promotion and marketing compared with last year.

(II) General and administrative expenses amounted to RMB119,263 thousand, representing an increase of approximately RMB28,146 thousand from RMB91,117 thousand last year, and accounted for approximately 10.1% of the Group's revenue (2019: 6.1%). The increase in general and administrative expenses was mainly due to that: (1) the Group, following the principle of prudence in the face of the pressure and negative impact on business operation imposed by the epidemic, the impairment losses in total increased by RMB50,029 thousand than last year, based on the assessment of receivables, investment properties, goodwill and intangible assets; (2) the Group took adjustment measures to the examination accountability for the declined performance last year, which resulted in a decrease of non-marketing personnel labor costs by approximately RMB12,348 thousand compared with last year.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

In June 2020, the Group disposed a portion of shares of China Feihe Limited for net proceeds of approximately HK$51,448 thousand, equivalent to approximately RMB43,301 thousand. The proceeds from the disposal were used as the general operating fund for daily business development of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity was adequate with a stable financial position as a whole. As at 31 December 2020, cash and bank balances amounted to RMB788,084 thousand (2019: RMB583,677 thousand), of which approximately 73% was denominated in RMB, approximately 26% in HK dollars and 1% in other currencies. Bank time deposits with maturity over three months held by the Group amounted to RMB53,023 thousand (2019: RMB30,436 thousand).

During the year, details of the Group's cash flows status were as follows:

(I) Net cash inflow from operating activities was RMB290,129 thousand (2019: RMB19,879 thousand), which was mainly attributable to: (1) the decrease in the balance of accounts receivable and notes receivable by approximately RMB64,552 thousand as compared to the end of last year; (2) the increase in the balance of advertising fees received in advance from clients by approximately RMB91,129 thousand as compared to the end of last year; (3) the decrease in prepayment of advertising agency costs to media suppliers by approximately RMB18,344 thousand as compared to the end of last year; (4) the payment of income tax of approximately RMB 30,486 thousand.

(II) Net cash outflow from investing activities was RMB45,211 thousand (2019: RMB109,607 thousand), which was mainly attributable to: (1) the payment for equity investments of approximately RMB82,000 thousand; (2) the payment for time deposit with maturity over three months of approximately RMB22,587 thousand; (3) the proceeds from disposal of equity securities of approximately RMB43,301 thousand; (4) the receipt of interest on bank deposits of approximately RMB14,268 thousand.

(III) Net cash outflow from financing activities was RMB30,770 thousand (2019: RMB43,083 thousand), which was mainly attributable to: the cash used for the buyback of the Company's shares of approximately RMB18,125 thousand; and the payment of the 2019 final dividend of approximately RMB10,702 thousand.

As at 31 December 2020, the Group's total assets amounted to RMB2,073,884 thousand, which consisted of equity attributable to equity shareholders of the Company of RMB1,628,349 thousand, and non-controlling interests of RMB-6,568 thousand.

As at 31 December 2020, the Group had no interest-bearing debts. As at 31 December 2020, the gearing ratio of the Group was nil (31 December 2019: nil). The gearing ratio was calculated by dividing the sum of the year-end interest-bearing bank borrowings and other borrowings by the year-end total equity, and multiplying 100%.

As at 31 December 2020, the Group had no material contingent liabilities.

The majority of the Group's turnover, expenses and capital investments were denominated in Renminbi.

HUMAN RESOURCES

As at 31 December 2020, the Group had 211 employees in total, less than that at the beginning of the year. During the year under review, despite the hard-hit main business caused by the epidemic, the Group committed to the stable the overall staff team by increasing the number of positions in the marketing, R&D and planning of content while limiting the number of positions for loss-making business segments. In addition, the Group raised the performance bonus for professional positions in sales and marketing and further implemented dynamic performance-related remuneration policies for middle and senior management, so as to intensify the connection between working results and personal interests. In the employee trainings, the Group undertook regular professional trainings with media promotion planning, marketing skills, case studies, occupational qualities and others as the themes, to comprehensively improve the employees' professional knowledge and practical capabilities. In addition to guaranteeing the mandated benefits, the Group continued to provide festival gift money to the elderly parents of employees, and held staff welfare activities such as parent-child gathering on Children's Day. In order to align the personal interests of employees with those of shareholders, the Company granted share options to employees under share option schemes. Share options that were granted and remained unexercised as of the end of the year totaled 18,492,000 units.

INDUSTRY AND GROUP OUTLOOK

The China Manufacturing PMI in January 2021 was 51.5 as announced by Caixin Media, representing a decrease of 1.5 percentage points compared with last month; Service PMI was 52, representing a decrease of 4.3 percentage points compared with last month. (Source: Caixin Media, February 2021). The PMI data from Caixin Media has been in an expansionary range since May 2020, indicating a constant economic recovery, but the rate is lowering. With the mitigating global pandemic efforts, China will see a steady and sound momentum of economic development as the new development pattern that features the principal big domestic circling, with the domestic and international dual circling promoting with each other. However, due to the interwoven economic structural and cyclical issues, and sluggish recovery of certain industries, the economic growth as a whole and its continuity are still subject to a number of uncertainties.

In response to the development changes of the economic environment and the operating pressures of the advertising industry, the Group will continue to optimize the business structure to enhance the core competitiveness of creative communication and brand strategies. Specifically, in terms of TV media resources management, the Group will persist in improving clients' brand value and amplifying communication effect through quality media resources of CCTV by using excellent visual creative expressions. And the Group will offer clients with one-stop solutions to their brand positioning, visual creativity, communication strategies, media implementation and effect assessments.

In terms of content operation and other integrated communication businesses, the Group will continue to develop the content marketing business with the R&D and production of video programs as the core. In addition to the investment and production of documentary programs and participation in the investment and production of children's programs and animations, the Group will continue to customize creative video programs for clients and to realize their brand communication value by means of content marketing. Furthermore, the Group will accelerate its expansion of brand business in the consumption field by focusing on the industry chain of the parent-child family consumption. We will also actively go on with the R&D, operating and the accumulation of IP value, laying a foundation for IP authorization and the development of derivative product business in the future.

In terms of the digital marketing and internet media, the Group will follow the development trend of internet media by tapping into quality media resources, strengthen the technical iterative operation of intelligent programming advertising placement platform and improve the visible placing effect, and to enhance clients' placing effect and brand influence on the internet by the professional capacity of precision communication. www.boosj.com will keep focusing on the development of vertical areas of children's talents and the healthy life of the middle-aged and elderly. It will continue to improve the marketing and operating capabilities by enriching video content products, expanding distribution channels, and integrating online platform contents with offline activity resources.

As a leading integrated media operation group in China, we are confident in our expectation of the middle and long-term prosperity and consumption upgrading in the domestic market. We will be committed to the strategic direction with inter-screen creative communication services as the core. The Group will strive ahead against adversity by continually optimizing business structure and exploring new profit growth points, so as to accelerate the business upgrading and to lay a solid foundation for the long-term development.

Directors and Senior Management

MR. CHEN XIN (陳新)

aged 54, has been our Executive Director since November 2006. He was appointed as our Chairman in December 2007 and is primarily responsible for the strategic development, financial planning and investment management of the Group. Mr. Chen has thirty three years of experience in the media industry, and obtained the title of senior journalist in 1999, currently he serves as the vice director of Academic Committee on Television Documentary of China Television Artists Association. From 1988 to 2004, he worked for Xinhua News Agency as a reporter on central government news at the overseas service department, a correspondent at the Australian bureau, director of central government news gathering and director of news distribution for overseas service successively. Mr. Chen received his bachelor of science degree in genetics from Fudan University in 1986, completed a master's course in international news from Fudan University in 1988 and received an EMBA degree from the Cheung Kong Graduate School of Business in 2006. Mr. Chen is the husband of Ms. Liu Jinlan, our Chief Executive Officer and an Executive Director.

MS. LIU JINLAN (劉矜蘭)

aged 52, has been our Executive Director and Chief Executive Officer since she founded the Group in 1999, and is primarily responsible for our overall management and strategy development. Ms. Liu previously worked at CCTV from 1995 to 1998.

Since she founded the Group, Ms. Liu has been instrumental in promoting the development of media advertising industry of China with outstanding contributions in branding communication and advertising campaigns, which cast profound influence in the Television broadcasting field. Ms. Liu was jointly recognised as one of the "Top Ten Female Advertising Professionals of China" (中國十大最具風采女性廣告人) by CCTV, Advertising School of the Communication University of China (中國傳媒大學廣告學院), Advertising Guidance (廣告導報) and Business Magazine (經營者雜誌社) in 2006. She was elected chairman of The Association of Accredited Advertising Agencies of China (中國4A協會) in January 2008, and jointly recognised as one of the "2008 Top Ten People in Media Advertising of China" (2008中國十大傳媒廣告人物) by School of Journalism and Communication of Renmin University of China (中國人民大學新聞學院), Journalism School of Fudan University (復旦大學新聞學院) and other institutions in December 2008. In 2009, she was jointly recognised as the "2009 Outstanding Woman of China's Advertising Industry" (2009年度中國廣告行業傑出女性) by China Advertising Association of Commerce (中國商務廣告協會), Beijing Advertising Association (北京廣告協會), 21st Century Advertising Bi-Weekly (21世紀廣告雙周刊), and the organizing committee of the 21st AD International Summit (21世紀廣告國際峰會組委會). She was also elected a vice-chairman of the first Media Committee of China Association of National Advertisers (中國廣告主協會) in December 2009. She was jointly recognized as one of the "Top Ten Influential Female Advertising Professionals of China" (中國最具影響力十大女性廣告人) by Advertising Guidance Magazine (廣告導報雜誌社) and MBA School of the Communication University of China (中國傳媒大學MBA學院) in September 2010 and April 2011 respectively. She was elected as the deputy head of Advertising Artistic Committee of China Television Artists Association (中國電視藝術家協會廣告藝術委員會) in March 2012. She also served as a supervisor of MBA of Cheung Kong Graduate School of Business in November 2012. She was recognized as "Person of the Year" (年度人物獎) by The Association of Accredited Advertising Agencies of China (中國4A協會) in October 2013. In March 2014, she was recognized as one of the 2013/2014 "Top Ten Female Advertising Managers of China" (十大女性廣告經理人) by "Advertising Guidance" magazine (廣告導報雜誌社). In January 2017, she was recognised as the "Expert of Think Tank of China Advertising Industry" (中國廣告智庫專家) by China Advertising Association of Commerce (中國商務廣告協會). In July 2017, she was recognized as the "Contemporary China Outstanding ADMAN" (傳媒經理人•卓越人物) by Chinese Organizing Committee of ADMEN International Award (ADMEN國際大獎中國組委會). In November 2019, She was elected a honorary vice president of Beijing Documentary Development Association (首都紀錄片發展協會).

Ms. Liu graduated from the Beijing Broadcast Institute with a certificate in linguistics, and received an EMBA degree from the Cheung Kong Graduate School of Business in 2006. Ms. Liu is the wife of Mr. Chen Xin, our Chairman and an Executive Director.

MR. LI ZONGZHOU (李宗洲)

aged 53, joined the Group in 2000 as a financial supervisor. He served as the General Accountant from 2007 to 2008, then a Vice President and is currently the Chief Internal Control Officer of the Group. Mr. Li was appointed as an Executive Director in November 2006. He is currently responsible for financial accounting, risk control management, legal affairs and financial contract approval management of the Group. He was previously the chief accountant and head of the financial department of Dunhua Forest Bureau from 1987 to 2000. Mr. Li received his bachelor degree in economics from Renmin University of China in 1990. Mr. Li is the husband of Ms. Liu Jinlan's niece.

MR. QI DAQING (齊大慶)

aged 56, has been our Independent Non-executive Director since May 2008. He taught as an assistant professor and then an associate professor in accounting at The Chinese University of Hong Kong between 1996 and 2002. Mr. Qi joined the Cheung Kong Graduate School of Business in July 2002 where he currently serves as a professor of Accounting. He serves as an independent director, the chairman of audit committee and a member of remuneration committee of Sohu.com Ltd., serves as an independent director and a member of audit committee, and remuneration committee of MOMO Inc., serves as an independent director and a member of audit committee of Jutal Offshore Oil Services Limited, serves as an independent director and a member of audit committee, remuneration committee and nomination committee of Yunfeng Financial Group Limited, serves as an independent director and the chairman of audit committee of Bison Finance Group Limited, and serves as an independent director and the chairman of audit committee of HaiDiLao International Holdings Ltd. Mr. Qi obtained a bachelor of science degree in biological physics in 1985 and a bachelor of arts degree in international mass communication in 1987, both from Fudan University in Shanghai. He received an MBA degree from the University of Hawaii at Manoa in 1992 and then a Ph.D. degree in accounting from the Michigan State University in 1996.

Mr. Qi currently holds directorships in the following publicly listed companies: Sohu.com Ltd. (NASDAQ), MOMO Inc. (NASDAQ), Jutal Offshore Oil Services Limited (Hong Kong Stock Exchange), Yunfeng Financial Group Limited (Hong Kong Stock Exchange), Bison Finance Group Limited (Hong Kong Stock Exchange) and HaiDiLao International Holdings Ltd. (Hong Kong Stock Exchange).

Through his roles as an independent director in various companies and as a result of his overall professional experience, Mr. Qi has obtained expertise in accounting and financial management. In addition to lectures and presentations in accounting issues at various professional settings, he has authored research papers on accounting, financial reporting, capital market and other related topics that are published in leading academic journals. Mr. Qi is experienced in reviewing and analysing financial statements of public companies.

MS. IP HUNG (葉虹)

aged 51, was appointed as our Independent Non-executive Director in June 2019. Ms. Ip worked in SBI E2 Capital Group from June 2000 to October 2008 and was the head of equity before leaving office. Ms. Ip was the chief executive of Oriental Patron Securities Limited from April 2009 to November 2016 and has been an investment committee member of the Oriental Patron Financial Group during the period. Prior to working in the finance industry, she was a financial reporter of Hong Kong Economic Journal. Ms. Ip is currently a Senior Strategy Adviser of Oriental Patron Financial Group and Head of Impact Investing of Pyxis Wealth Advisors Limited. Ms. Ip obtained a bachelor degree in communication from Hong Kong Baptist University in 1992, and a master degree in humanities from Warwick University in 2002.

DR. TAN HENRY (陳亨利), BRONZE BAUHINIA STAR, JUSTICE OF THE PEACE

aged 67, was appointed as our Independent Non-executive Director in June 2020. Dr. Tan is an executive director, the Vice Chairman of the Board and the CEO of S.A.I. Leisure Group Company Limited (listed on Hong Kong Stock Exchange, stock code: 1832). Dr. Tan has more than 30 years of business experience in Mainland China, Hong Kong and the Western Pacific Region. He has gained in-depth local knowledge, business and personal connections and market insights in the region. He began to participate in his family's shipping and trading business in Guam in the early 1970's and expanded it into different industries, such as leisure tourism, retailing, fishing, air transportation, international shipping, logistics, ground and airport services, oil, insurance, medical care, real estate as well as wholesale and distribution of consumer products with sales network across Guam, Saipan, Palau, Micronesia and the Marshall Islands. From March 2004 to February 2017, Dr. Tan was the CEO and an executive director of Luen Thai Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 311) and engaged in garment manufacturing and logistics forwarding services.

Dr. Tan is enthusiastic about social welfare. He is currently the Chairman of the Textile Council of Hong Kong, a member of the Court of The Hong Kong Polytechnic University, an honorary member of the Court of Hong Kong Baptist University, a member of the Council and the Chairman of the Advisory Committee of College of Professional and Continuing Education of The Hong Kong Polytechnic University. Dr. Tan is currently a Hong Kong Deputy to the 13th National People's Congress of the People's Republic of China, an honorary trustee of Peking University and a director of the board of Huaqiao University. Dr. Tan served as the Chairman of Po Leung Kuk from 2004 to 2005 and was awarded the Bronze Bauhinia Star in November 2005 and appointed as Justice of the Peace in July 2008 by the HKSAR Government. Dr. Tan has been a member of the HKSAR Election Committee since December 2006 and an Honorable Life-Chairman of The Hong Kong General Chamber of Textiles since 2009. He was also a member of Fujian Provincial Committee of the 9th to 11th Chinese People's Political Consultative Conference.

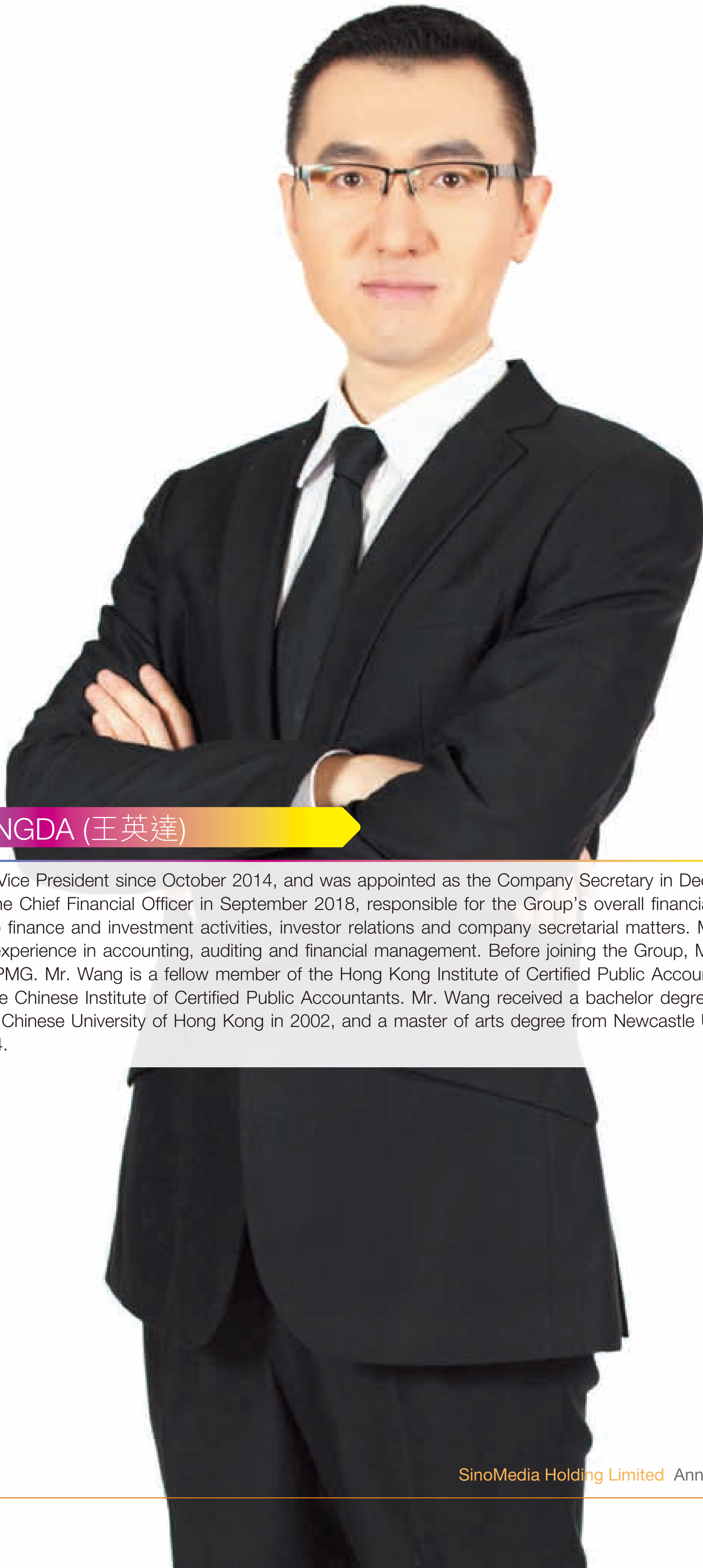
Dr. Tan received his bachelor and master degrees in business administration from the University of Guam in December 1975 and May 1980 respectively, and was awarded an honorary doctorate in humane letters from the University of Guam in May 2013.

DR. ZHANG HUA (張華)

aged 58, was appointed as our Independent Non-executive Director in June 2020. Dr. Zhang is a professor in the Department of Finance and the Director of M.Sc. Programme in Finance (Part-time) in The Chinese University of Hong Kong. Professor Zhang has extensive experience in executive training. His main research interests are in investments, capital markets, corporate finance and fixed income and derivative securities. Dr. Zhang served as an independent non-executive director of Momentum Financial Holdings Limited (1152.HK) from September 2017 to June 2020. Dr. Zhang obtained a bachelor degree in engineering from Tianjin University, and a master degree in business administration and a Ph.D. degree in Finance from McGill University.

MR. LIU XUMING (劉旭明)

aged 53, joined the Group in November 1999, was our Vice President from 2005 to 2010, and was appointed as the Chief Operation Officer in 2011, in charge of the management of the Group's operation planning and execution. He has over nineteen years of experience in city branding management, media operation and management, advertisement creative design and market development. Mr. Liu was the president of Dunhua Cable TV Station in Jilin Province from 1997 to 1999. He has served as a council member of The Association of Accredited Advertising Agencies of China (中國4A協會) since 2006. He served as the chairman of Supervision and Examination for China Public Service Advertisement Grand Prix in 2010, chaired the judge for China 4A Golden Seal Awards Media Category in 2012 and 2013, and served as a judge for CCTV National Competition on TV Public Service Advertising in 2013. He has worked as a vice president of the Content Marketing Committee of China Advertising Association of Commerce since July 2016. Mr. Liu received an MBA degree from California University of Management and Sciences in 2003.



MR. WANG YINGDA (王英達)

aged 42, has been our Vice President since October 2014, and was appointed as the Company Secretary in December 2014. He was appointed as the Chief Financial Officer in September 2018, responsible for the Group's overall financial compliance management, corporate finance and investment activities, investor relations and company secretarial matters. Mr. Wang has over eighteen years of experience in accounting, auditing and financial management. Before joining the Group, Mr. Wang was the audit manager of KPMG. Mr. Wang is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chinese Institute of Certified Public Accountants. Mr. Wang received a bachelor degree of business administration from The Chinese University of Hong Kong in 2002, and a master of arts degree from Newcastle University, the United Kingdom, in 2004.

MR. HUANG PING (黃平)

aged 56, has been our Vice President since December 2011, and is responsible for the strategic development of media contents and channel platforms. Mr. Huang has extensive media-related work experience, he worked for MTV Greater China as the senior vice president and general manager from 2009 to 2011 and was a vice president in STAR China Co., Ltd from 2006 to 2009. Before that, Mr. Huang was an associate director for the satellite channel under Shanghai Media Group and has accumulated extensive experience in programme production and distribution. Mr. Huang obtained a bachelor degree from the Journalism School of Fudan University in 1986 and finished his postgraduate study international news in Fudan University in 1988.

MS. ZHOU JUNHUA (周俊華)

aged 43, was appointed as a Vice President in October 2013, responsible for the overall development and operation of city tourism brand communication business of the Group. She joined the Group in August 2002, and has been the General Manager of City Brand Marketing Centre since 2011. With more than eighteen years of working experience in media industry, Ms. Zhou has established her professional status in city tourism brand communication, leading her team to successfully develop and provide services for more than 1,000 clients and ensuring the Group's leading position in this field. Through fourteen years' professional team management, Ms. Zhou has initiated unique and systematic media marketing management ideas and methods which have been applied and promoted successfully in market practices. Ms. Zhou graduated from Shashi University in 1999, majoring in finance.

MS. WANG HONG (王紅)

aged 51, has held positions in finance, media execution and administrative management since she joined the Group in March 1999. She was appointed as a Vice President of the Group in October 2015, responsible for the Group's media purchasing from China Central Television and execution management thereof, and also the administrative management of the Group. Ms. Wang has over eighteen years of experience in media industry. She graduated from Jilin University in 1996, majoring in business administration. Ms. Wang is the wife of Mr. Li Zongzhou, our Executive Director, and the niece of Ms. Liu Jinlan, our Executive Director.

MS. ZHENG CHUN (鄭春)

aged 49, was appointed as a Vice President in September 2015, responsible for expansion of international business and development of overseas clients. Ms. Zheng served various overseas tourism agencies and airlines, in charge of promotion strategy and media publicity for China market. Ms. Zheng has over twenty years' experience in tourism. Before joining the Group, she worked for Destination Canada, KLM Royal Dutch Airlines and Northwest Airlines. Ms. Zheng received her bachelor of arts degree as a major in English from Beijing Language College in 1995.

MR. LI MENG (李萌)

aged 41, joined the Group in 2009 and served successively as the director and general manager of media planning department. He was appointed as a Vice President of the Group in 2018, in charge of market and media research, product marketing and client strategy. With an advertising career of nineteen years, Mr. Li has accumulated extensive practical experience in creative communication and specializes in serving clients with branding or marketing solutions focusing on media factors. Before joining the Group, Mr. Li worked in Time Share Advertising as the marketing manager, in charge of media operation. Mr. Li graduated from University of Science and Technology Beijing in 2000, majoring in public relations.

MS. LIU ZHIYI (劉芷屹)

aged 31, was appointed as the Vice President of the Group since September 2020. She is responsible for the operation and management of content marketing and creative production sector, and concurrently acts as the general manager of the film and television production center. With more than 8 years of experience in the media industry, Ms. Liu has developed analytical and insightful ability on the domestic and foreign media markets, as well as extensive media management experiences, built up networking resources in both domestic and international markets, and explored cooperation with established enterprises and institutions. She spearheaded Group's strategical expansion of cross-media initiatives, including contents R&D, movie and TV investment where she worked as producer and distributor, IP development, content marketing, and creative marketing on media convergence. Ms. Liu obtained a bachelor's degree in management from the University of St Andrews in the United Kingdom in 2011 and a master's degree in management from the School of National Development at Peking University in 2020. Ms. Liu is the daughter of Mr. Chen Xin and Ms. Liu Jinlan, our Executive Directors.

ANNUAL REPORT
2020 年報

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to attaining and upholding a high standard of corporate governance practices to protect the interests of shareholders and the Company as a whole. The Company has made continuous efforts to constantly review and improve its corporate governance system in light of changes in regulations and developments in best practices and to ensure that the Group is under the leadership of an effective board of directors (the "Board") of the Company to maximise return for shareholders.

The Company has adopted the code provisions ("Code Provisions") of the Corporate Governance Code and Corporate Governance Report (hereinafter referred to as the "Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the guidelines for corporate governance of the Company. During the year ended 31 December 2020, the Company has fully complied with all Code Provisions and where applicable, the recommended best practices prescribed in the Code.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received two confirmations (the "Confirmation") from Mr. Chen Xin and Ms. Liu Jinlan (the "Covenantors") signed by each of them in March 2021 respectively confirming that for the period from 1 January 2020 to 31 December 2020 and up to the date of signing the Confirmation by the relevant Covenantor, each of them has fully complied with the non-competition deed executed by the Covenantors in favour of the Group on 27 May 2008 (the "Non-Competition Deed") and, in particular, they and their respective close associates have not, directly or indirectly, carried on or been engaged or interested in any business which is or may be in competition with the core business of the Group, i.e. acting as a media advertising operator, including the purchasing of advertisement time, advertisement production, acting as an agent of advertisement time and other advertising related service, and any other new business which is from time to time carried on or engaged or interested in by the Group.

The Independent Non-executive Directors of the Company have reviewed the Confirmation and all of them are satisfied that the Non-Competition Deed has been complied with during the year under review.

DIRECTORS' SECURITIES TRANSACTIONS

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 its own code of conduct regarding directors' securities transactions.

Having been made specific enquiry, the Directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2020.

BOARD OF DIRECTORS

1. Composition of the Board

During the year ended 31 December 2020, the Board comprised the following Directors:

EXECUTIVE DIRECTORS:	INDEPENDENT NON-EXECUTIVE DIRECTORS:
Mr. Chen Xin *(Chairman)*	Mr. Qi Daqing
Ms. Liu Jinlan *(Chief Executive Officer)*	Ms. Wang Xin (retired on 9 June 2020)
Mr. Li Zongzhou	Mr. He Hui David (retired on 9 June 2020)
	Ms. Ip Hung
	Dr. Tan Henry (appointed on 9 June 2020)
	Dr. Zhang Hua (appointed on 9 June 2020)

The Directors possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The biographical details of the Directors and the relationship between members of the Board are set out in the "Directors and Senior Management" section on pages 22 to 35 of this annual report.

Save and except that Mr. Chen Xin is the spouse of Ms. Liu Jinlan and that Mr. Li Zongzhou is the husband of Ms. Liu Jinlan's niece, there are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

2. Chairman and Chief Executive Officer

The positions of the Chairman of the Board and the Chief Executive Officer are held by separate individuals to ensure that a segregation of duties and a balance of power and authority are achieved. The Chairman is responsible for overseeing all Board functions in accordance with good corporate governance practice, developing strategies and instilling corporate culture. The Chief Executive Officer is responsible for formulating detailed plans for implementation of the objectives set by the Board and mainly focuses on the day-to-day management and operation of the Group's business. During the year ended 31 December 2020, the position of the Chairman of the Board was held by Mr. Chen Xin and the position of the Chief Executive Officer of the Company was held by Ms. Liu Jinlan.

3. Non-executive Directors

The Non-executive Directors, all of whom are independent, play an important role in the Board. They possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. Accounting for a majority of Board members, they provide adequate checks and balances for safeguarding the interests of the shareholders and the Group as a whole.

The Non-executive Directors of the Company are appointed for a term of three years and are subject to retirement by rotation at the Company's annual general meetings at least once every three years in accordance with the Articles of Association of the Company.

The Company has received annual written confirmation from each Independent Non-executive Director in respect of his or her independence to the Company pursuant to the requirements of the Listing Rules. The Company has assessed the independence of all Independent Non-executive Directors, including Mr. Qi Daqing who has served the Company for more than 9 years since his first appointment as an Independent Non-executive Director in May 2008, and is satisfied that each of them continued to satisfy the independence criteria under Rule 3.13 of the Listing Rules and remained independent throughout the year ended 31 December 2020. The Company also has at all times complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors and the appointment of an Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. The Independent Non-executive Directors represented at least one-third of the Board.

4. Division of Responsibilities of the Board and the Management of the Company

The Board steers the Group's business direction. It is responsible for formulating the Group's long-term strategies, setting business objectives, monitoring the management's performance, and ensuring strict compliance with relevant statutory requirements and effective implementation of risk management measures on a regular basis.

The management under the leadership of the Chief Executive Officer is responsible for the day-to-day management of the Group's businesses and implementation of the strategy and direction set by the Board.

To ensure the operational efficiency and specific issues are being handled by relevant expertise, the Board delegates certain powers and authorities from time to time to the management.

The types of decisions which are reserved for the approval by the Board (or the Board committees) include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of Directors and senior management;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- corporate governance duties.

The types of decisions that the Board has delegated to the management include:

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving the entering into of any connected transactions not requiring disclosure under the Listing Rules;
- approving the nomination and appointment of personnel other than the member of the Board, senior management and auditors;
- approving press release concerning matters decided by the Board;
- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and cessation of non-material part of the Group's business); and
- carrying out any other duties as the Board may delegate from time to time.

5. Board Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate in person or through electronic means of communication. During the year of 2020, the Board held four meetings. As regards general meetings, the Company held the annual general meeting on 9 June 2020 during the year of 2020. The said meetings were attended by a majority of the Directors in person or through other electronic means of communication. Attendances at the Board meetings and the annual general meeting of each Director are set out as follows:

	NUMBER OF MEETINGS ATTENDED/HELD	
DIRECTORS	**Board Meetings**	**Annual General Meeting**
Executive Directors:		
Chen Xin	4/4	1/1
Liu Jinlan	4/4	1/1
Li Zongzhou	4/4	1/1
Independent Non-executive Directors:		
Qi Daqing	4/4	1/1
Wang Xin (retired on 9 June 2020)	2/2	1/1
He Hui David (retired on 9 June 2020)	2/2	1/1
Ip Hung	4/4	1/1
Tan Henry (appointed on 9 June 2020)	2/2	N/A
Zhang Hua (appointed on 9 June 2020)	2/2	N/A

Notices of regular Board meetings are given to all Directors at least 14 days prior to the date of each regular Board meetings while reasonable notice is generally given for other Board meetings. Meeting agendas and any accompanying board papers are generally sent to all Directors at least 3 days before the intended date of each Board or committee meeting, except agreed otherwise among the members. All Directors are encouraged to propose new items as any other business for discussion at the meetings. The Board and each Director have separate access to the Company's senior management for information at all times and may seek independent professional advice at the Company's expenses in carrying out their duties, if necessary. Draft and final versions of the minutes of the meetings, drafted in sufficient details by the Company Secretary, were circulated within a reasonable time after each meeting to the Directors for their comments and record respectively. Originals of such minutes, kept by the Company Secretary, are open for inspection by all Directors at any reasonable time. Procedures for convening meetings of the Board and Board committees and for preparing minutes of the meetings have complied with the requirements of the Articles of Association of the Company and applicable laws, rules and regulations.

6. Appointment, Re-election and Removal of Directors

The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination or election or re-election of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

Each of the Directors has entered into a service contract with the Company for a specific term and is subject to retirement by rotation at annual general meetings at least once every three years. In accordance with the Articles of Association of the Company, three Directors shall retire at the next following annual general meeting of the Company and shall be eligible for re-election. The names and biographical details of the Directors who will offer themselves for re-election at the forthcoming annual general meeting are set out in the circular to shareholders dated 23 April 2021 to assist shareholders in making an informed decision on the re-elections.

Having been made specific enquiry, the Directors confirmed that the terms, in particular the non-competition obligations, of their respective service contracts had been complied with and they had no interest in any company or business which competed either directly or indirectly with the Group's business.

7. Remuneration of Directors

The Executive Directors did not receive any allowance for their service provided as Directors throughout the year ended 31 December 2020. Executive Directors who are also the Company's staff are entitled to receive salaries according to their respective positions taken on a full-time basis in the Company.

Information relating to the remuneration of each Director for the year under review is set out in note 7 to the financial statements on page 130 of this annual report.

8. Training of Directors

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all Directors have participated in continuous professional development by reading and watching relevant materials on the topics related to the updates on ethics and code of conduct of Directors, corporate governance, rules and regulations and operation and management of listed companies. All directors have provided written records of the training they received during 2020 to the Company.

The participation by each Director of the Company in the continuous professional development was summarised below:

DIRECTORS	Attending seminars/training sessions	Reading materials in relation to updates on rules and regulations
Executive Directors:		
Chen Xin	√	√
Liu Jinlan	√	√
Li Zongzhou	√	√
Independent Non-executive Directors:		
Qi Daqing	√	√
Wang Xin (retired on 9 June 2020)	√	√
He Hui David (retired on 9 June 2020)	√	√
Ip Hung	√	√
Tan Henry (appointed on 9 June 2020)	√	√
Zhang Hua (appointed on 9 June 2020)	√	√

9. Board Committees

The Board has established four Board committees with specific terms of reference, namely the Audit Committee, the Remuneration Committee, the Compliance Committee and the Nomination Committee. All terms of reference of the Board committees are on terms no less exacting than those set out in the Code, where applicable.

Audit Committee

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process, risk management and internal control systems, and review of the Company's financial statements. The Audit Committee also reviews and monitors the scope and the effectiveness of the work of external auditors. The terms of reference of the Audit Committee are made available on the Stock Exchange's website and the Company's website.

The Audit Committee met three times during the year under review. Currently, the Audit Committee comprises three members, all of whom are Independent Non-executive Directors. The composition of the committee and the attendances at the meetings by each committee member are set out as follows:

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED/HELD
Qi Daqing *(Chairman)*	3/3
Wang Xin (retired on 9 June 2020)	1/1
Ip Hung	3/3
Zhang Hua (appointed on 9 June 2020)	2/2

At the meetings, the committee:

- reviewed with the management and the external auditors the terms of appointment of external auditors, the accounting principles and practices adopted by the Group, and the accuracy and fairness of the 2019 annual report and the 2020 interim report;

- monitored the effectiveness of the audit process in accordance with applicable standards and discussed with the auditor the nature and scope of the audit and reporting obligations before the audit commenced;

- discussed the issues raised by the external auditors, all issues reported by the external auditors are monitored closely to ensure the issues can be addressed and resolved through appropriate measures by the Group's senior management; and

- reviewed and discussed with the management the Listing Rules compliance, and the effectiveness of the risk management and internal control systems of the Group, including reviewing the internal control reports submitted by the internal audit department of the Group and reviewing the internal audit function of the Company.

Remuneration Committee

The Remuneration Committee was established to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments inclusive of any compensation payable for loss or termination of their office or appointment, and to make recommendations to the Board on the remuneration of Non-executive Directors. The terms of reference of the Remuneration Committee are made available on the Stock Exchange's website and the Company's website. The Remuneration Committee comprised of Ms. Ip Hung (an Independent Non-executive Director, appointed as the chairman of the Remuneration Committee on 9 June 2020), Mr. Chen Xin (an Executive Director), Ms. Wang Xin (an Independent Non-executive Director, retired and ceased to be the chairman of the Remuneration Committee on 9 June 2020), and Dr. Zhang Hua (an Independent Non-executive Director, appointed as a member of the Remuneration Committee on 9 June 2020), therefore the majority of whom are Independent Non-executive Directors.

During the year under review, no meeting was held by the Remuneration Committee. However, the Board reviewed the remuneration policy and structure for all Directors and senior management, including (1) considering the basic salary and bonus schemes paid to Executive Directors and senior management; (2) reviewing the fees paid to the Independent Non-executive Directors; and (3) assessing the performance of all Directors, in the Board meeting held on 27 March 2020. As a good corporate governance practice, the Directors had abstained from voting and did not participate in the discussion on his/her own remuneration at the said Board meeting.

Compliance Committee

The Compliance Committee was established to oversee the Group's compliance with regulatory requirements and make recommendations to the Board on improvement of corporate governance of the Group.

One meeting was held during the year under review. The composition of the committee and the attendances at the meeting by each committee member are set out as follows:

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED/HELD
Li Zongzhou *(Chairman)*	1/1
Wang Yingda	1/1

At the meeting, the committee:

- evaluated and determined the extent of the risks it is willing to take in achieving the Group's strategic objectives;
- discussed and checked the major transactions entered into by the Group and the strategies for tax planning to ensure compliance with the laws and regulations applicable to the Group;
- monitored the training and the continuous professional developments of Directors and senior management, and the code of conduct applicable to Directors and employees; and
- reviewed corporate information issued by the Group to ensure compliance in every respect with the Listing Rules.

Nomination Committee

The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination or election or re-election of Directors, and monitoring the appointment and succession planning of Directors. The terms of reference of the Nomination Committee are made available on the Company's website and the Stock Exchange's website.

Nomination Committee identifies and ascertains the integrity, qualification, expertise and experience of the candidate who is considered for being appointed/re-appointed as director and apply due diligence in compliance with all applicable provisions of the Listing Rules including any amendments thereto from time to time.

The duties of the Nomination Committee include, without limitation:

— reviewing the structure, size and diversity (including the gender, age, cultural and educational background, skills, knowledge, professional experience and length of service) of the Board at least annually and making recommendation to the Board regarding any proposed changes to implement the Company's corporate strategy;

— with due regard for the benefits of diversity on the Board, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

— assessing the independence of independent non-executive directors of the Company;

— making recommendations to the Board on the appointment or re-appointment of directors of the Company and the succession planning for directors of the Company, in particular the chairman of the Board and the chief executive; in making recommendations, the Nomination Committee will take into account a wide range of factors and criteria, including the Company's corporate strategy, the mix of skills, knowledge, experience and diversity needed by the Company in the future, the candidate's ability to provide insights and practical wisdom based on his/her experience, skills and expertise relevant to the Company's lines of business, the candidate's time commitment to the Company, and any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and the shareholders of the Company;

— regularly reviewing the time required from a director to perform his responsibilities;

— reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and making disclosure of its review results in the Corporate Governance Report annually; and

— conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation.

If the Nomination Committee determines that an additional or replacement director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its evaluation of a candidate, including candidate interviews, inquiry of the person(s) making the recommendation, or reliance on the knowledge of the members of the Nomination Committee, the Board or the management. On making recommendation(s) to the Board, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate(s) as director(s) to fill a casual vacancy(ies) or as an addition to the Board for election or re-election at the annual general meeting.

The Company has adopted a board diversity policy ("Board Diversity Policy") which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Board Diversity Policy sets out objective criteria from many aspects, including but not limited to age, gender, ethnicity, academic strength, and experience in the relevant industry. The Nomination Committee has reviewed such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Company considers that the current composition of the Board is characterized by diversity, whether considered in terms of professional background or skills.

During the year under review, one meeting of the Nomination Committee was held. Currently, the Nomination Committee comprises three members, the majority of whom are Independent Non-executive Directors. The composition of the committee and the attendances at the meeting by each committee member are set out as follows:

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED/HELD
Executive Director	
Chen Xin *(Chairman)*	1/1
Independent Non-executive Directors	
Wang Xin (retired on 9 June 2020)	1/1
Ip Hung (ceased to be member on 9 June 2020)	1/1
Qi Daqing (appointed on 9 June 2020)	N/A
Tan Henry (appointed on 9 June 2020)	N/A

At the meeting, the committee:

- reviewed the structure, size and composition of the Board;
- reviewed Directors' service contracts and the re-election of Directors;
- assessed the independence of Independent Non-executive Directors;
- reviewed the time and resources required for Directors to perform their responsibilities; and
- made recommendations to the Board on the appointment of Independent Non-executive Director.

10. General

The Company has arranged for directors' and officers' liability insurance for all Directors and senior officers against legal liability arising from their performance of duties. The insurance coverage is reviewed on an annual basis. For the year ended 31 December 2020, no claim has been made against our Directors and senior officers.

FINANCIAL REPORTING

1. Financial Reporting

Management of the Company provides explanation and information to the Board to facilitate an informed assessment of financial statements and other information put before the Board for approval. The Board acknowledges its responsibility in the preparation of financial statements to give a true and fair view of the Company's state of affairs. In the preparation of financial statements, the International Financial Reporting Standards have been adopted and appropriate accounting policies have been consistently used and applied.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board continues to prepare the financial statements set out on pages 95 to 167 on a going concern basis.

The reporting responsibilities of the Group's external auditors, Messrs. KPMG, are set out in the Independent Auditor's Report on pages 89 to 94 of this annual report.

2. External Auditors

Management performs a review of remuneration to external auditors on an annual basis. The fees for audit services have been reviewed by the Audit Committee, and the fees for non-audit services, if any, are approved by management.

3. Auditors' Remuneration

The total fee charged by the auditors generally depends on the scope and volume of the auditors' work. During the year under review, RMB2,650 thousand was charged by the Group's external auditors for annual audit services and the auditors did not provide any non-audit services for the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group had established and maintained appropriate and effective risk management and internal control systems. The Group has adopted comprehensive procedures with duly assigned levels of authority in areas of financial, compliance controls, and risk management to ensure that its assets remain secure at all times. The Group has in place an internal risk identification, assessment and management system. Regular surveys are conducted with the management to identify the key risks, key risks identified are assessed and ranked according to the likelihood of occurrence and extent of impact to the Group. Identified risks are then mapped to relevant control procedures and are allocated to the relevant departments according to their functions for risk management on an ongoing basis. Key internal control procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication.

The Board, through the Audit Committee and the Compliance Committee, had conducted an annual review of the effectiveness of the risk management and internal control systems of the Group, including financial, operational and compliance controls and risk management functions as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function. Proper controls are in place to ensure the accounting and management information is recorded in a complete, accurate and timely manner. Regular reviews and audits are carried out to ensure that the preparation of financial statements in accordance with the Group's accounting policies and applicable laws, rules and regulations, thereby providing reasonable assurance regarding effective operation of the Group's business.

While acknowledging the responsibility for the risk management and internal control systems and for reviewing their effectiveness, the Board recognises that they 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 in place procedures and internal controls for handling and dissemination of inside information whereby the Chairman of the Board, the Chief Financial Officer and the Company Secretary work closely, seeking advice from legal advisors from time to time, if needed, with proper reporting to and approval from the Board, for proper handling and dissemination of inside information in accordance with relevant laws and regulations.

The Group has established a clear organisational structure, including the delegation of appropriate responsibilities from the Board to the Board committees, members of senior management and the heads of operating divisions.

An internal audit department was established to review the effectiveness of financial reporting system, risk management and internal control systems of the Group on a continuing basis and it aims to cover all significant functions within the Group on a rotational basis. The scope of the internal audit department's review and the audit programmes have been approved by the Audit Committee. The internal audit department reports directly to the Audit Committee and the Chairman of the Board, and submits regular reports for their review in accordance with the approved programmes. The internal audit department submits a detailed report at least once a year to the Board for their review and monitors the effectiveness of the systems of risk management and internal control of the Group.

External auditors will also report on the weaknesses in the Group's risk management and internal control, and accounting procedures which have come to their attention during the course of audit.

Any material internal control defects identified will be reported to the Audit Committee who shall supervise the management's design and implementation of rectification measures. The Audit Committee also keeps the Board informed of the rectification process. For the year ended 31 December 2020, no critical risk management and internal control weaknesses have been identified by the Board and the Board considered the risk management and internal control systems of the Company remained adequate and effective. The Audit Committee reviewed and was satisfied that the internal audit department remained adequately resourced, effective and had appropriate standing in the Company.

COMPANY SECRETARY

The Company Secretary, Mr. Wang Yingda, is responsible for facilitating the Board process, as well as communications among the Board members, the shareholders and the management. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable laws, rules and regulations are followed. Mr. Wang possesses the professional qualifications as required under Rule 3.28 of the Listing Rules. During the year under review, Mr. Wang has undertaken no less than 15 hours of relevant professional training by attending seminars to update his knowledge and skills in compliance with Rule 3.29 of the Listing Rules. The biography of Mr. Wang is set out in the section “Directors and Senior Management” on page 31 of this report.

DIVIDEND POLICY

Under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) and Articles of Association of the Company, all Shareholders have rights to dividends and distributions in proportion to their respective shareholdings, and dividends are paid out of distributable profits or funds. Pursuant to the dividend policy of the Company, if the Group records a profit, the Company may recommend annual cash dividend of up to 40% of the net profit available for distribution for the current year, and the remaining profit will be used for the business development and operation of the Group. However, the decision of whether to pay any dividends and the amount of any such dividends depend on a number of factors, including but not limited to, the results of operations, cash flows, financial condition of the Group, statutory and regulatory restrictions on the payment of dividends and the interests of Shareholders.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group’s business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company has set up and maintained various channels of communication with its shareholders and the public to ensure that they are kept abreast of the Company’s latest news and development. Information about the Company’s financial results, corporate details and major events are disseminated through publication of announcements, circulars, interim and annual reports and press release. All published information is promptly uploaded to the Company’s website at www.sinomedia.com.hk, for public access.

The Company also holds investor meetings from time to time, including post results announcement non-deal roadshows, one-on-one meetings and conference calls. Shareholders can also submit enquiries to the management and the Board and send proposals to be put forward at shareholders’ meeting to the Board or senior management by sending emails to ir@sinomedia.com.hk or making phone calls to our investor hotline at 86–10–65911278. In addition, the Company’s dedicated investor relations team takes a proactive approach to communicate with existing and potential investors in a timely manner by making regular face-to-face meetings and conference calls with investors.

Under the Company's Articles of Association, the Board, on the requisition of shareholders of the Company holding not less than 5% of the total voting rights of all the members having a right to vote at general meetings of the Company, can convene an extraordinary general meeting pursuant to the provisions of the Companies Ordinance to address specific issues of the Company. At the annual general meeting, shareholders can raise any questions relating to performance and future direction of the Group with the Directors. The Company maintains contact with its shareholders through annual general meeting or other general meetings, and encourages shareholders to attend those meetings. The external auditor of the Company, Messrs. KPMG also attended the annual general meeting held on 9 June 2020 to answer questions about the conduct of the audit, the preparation and content of the independent auditors' report, the accounting policies and auditor independence. The Company complied with the required notice periods for general meetings under the applicable laws, rules and regulations.

CONSTITUTIONAL DOCUMENTS

In 2020, no amendment had been made to the Articles of Association of the Company.

ANNUAL REPORT
2020 年報

Environmental, Social and Governance Report

This Report is the fifth Environmental, Social and Governance Report of the Group. This Report aims to provide relevant information on the work and performance of the Group in the environmental, social and governance fields for the fiscal year ended 31 December 2020. This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Stock Exchange") and covers the core operations of the Group.

For the year ended 31 December 2020, the Group continued to implement a number of measures to promote the sustainable development of the Group. Relevant work covers the aspects of supervision and environment, involving employee welfare and communication with key stakeholders. The Group also actively participated in charity activities and fulfilled corporate social responsibilities.

The Board of Directors of the Company is responsible for the overall environmental, social and governance strategies and reports of the Group. The various departments of the Group sort out the environmental, social and governance indicator system, formulate relevant work procedures, and promote the management and implementation of environmental, social and governance issues, to coordinate to complete the identification and reporting of environmental, social and governance risks. This Report has been verified by the management and reviewed and approved by the Board of Directors of the Company.

COMMUNICATION WITH STAKEHOLDERS AND IDENTIFICATION OF KEY ISSUES

Based on the characteristics of the industry and the business operations, the Group has identified major stakeholders that are closely related to the Group, including governments and regulatory agencies, shareholders and investors, customers, employees, and suppliers and business partners. The Group regards communication with major stakeholders as an important part of the sustainable development of the Group, attaches great importance to the concerns and opinions of major stakeholders, is committed to establishing and maintaining a good and stable diversified communication model with major stakeholders, and protects the rights and interests of all stakeholders.

The Group regularly discusses with major stakeholders to establish the Company's environmental, social and governance key issues through analysis of the needs of major stakeholders. The Group welcomes the stakeholders to present their opinions on our environmental, social and governance guidelines as well as our performances in these regards. Related suggestions can be sent to the email address ir@sinomedia.com.hk.

The main stakeholders and communication measures of the Group are as follows:

Stakeholder	Communication Channels and Measures	Expectations
Government and regulatory agencies	— Research on policies and regulations — Compliance management — Submit reports and pay taxes in accordance with the law	— Comply with laws and regulations — Support economic development — Practice honestly
Shareholders and investors	— Regular disclosure of financial and operating information — Shareholders' meeting — Company website, email, hotline — Press release	— Financial performance — Business development — Corporate governance — Information disclosure
Customers	— Innovative and high-quality products — Point-to-point communication service — Market Research	— High-quality products and services — Meet the diverse needs of customers — Feedback Channel
Employees	— Provide good salary and benefits — Staff training — Perform performance appraisal and feedback on a regular basis — Team building activities	— Protect the rights and interests of employees — Career development — Care for employee health — Balance work and life
Suppliers and business partners	— Perform the contract in accordance with the law — Internal control and risk management — Public bidding	— Compliance with the contract — Business ethics — Open and fair procurement
Community and environment	— Participate in public welfare undertakings and charitable donations — Improve resource and energy efficiency	— Support public welfare undertakings and community development — Environmentally friendly business practices

In order to further clarify the key areas of environmental, social and governance information disclosure, the Group sorts out and identifies the issues that stakeholders are concerned about for importance identification and assessment in accordance with the requirements of the Environmental, Social and Governance Reporting Guide of the Stock Exchange, to disclose information related to operations and management as accurately and comprehensively as possible. The impact of these important issues is evaluated based on their importance to the sustainable development of the Group and its stakeholders.

SUSTAINABLE AND BALANCED DEVELOPMENT

The core operations of the Group mainly cover the provision of TV advertisement, content management and digital marketing services for advertisers and advertisement agents. In the past years, the Group has always devoted itself to promoting sustainable business development, advocating environmental protection and paying attention to the assumption of social responsibility in a move to set a good example to the public. At the same time, the Group has attached importance to balancing the interests of shareholders, customers and employees and adhered to balancing business development and performance of social responsibility.

REPORTING SCOPE

As to the overall environmental and social performances as two major scopes in the fiscal year ended 31 December 2020, this Report will list the sustainable development efforts the Group has made in the following scopes:

— Environmental dimension (pollutants, use of resources, environment and natural resources)

— Social dimension (employment, health & safety, development & training, labor standards, supply chain management, product liabilities, anti-corruption and community activity & participation)

ENVIRONMENTAL DIMENSION

The Group has paid much attention to environmental protection. In addition to ensuring the compliance with laws and regulations related to environmental protection, the Group has also assured effective resource utilization and adopted energy saving measures to reduce the environmental pollutant and continuously improve the energy utilization efficiency. The wastes produced by the Group mainly come from the power, water, patrol, paper and office supplies it uses. Based on the business nature, the Group believes that the direct impact of business operation on pollutants, resource utilization, and environmental and natural resource are very tiny. To the best knowledge of the Group, for the year ended 31 December 2020, the Group has not found any violation of the laws and regulations pertaining to waste gas and greenhouse gas emission, pollutant emission to water resources and land, and generation of hazardous and non-hazardous wastes (including the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention Law of the People's Republic of China, the Atmospheric Pollution Prevention Law of the People's Republic of China and the Law of the People's Republic of China on Environmental Pollution by Solid Waste).

1. Pollutants

In view of the business nature of the Group, there will be no major risks related to environmental protection issues in its operations, such as exhaust gas and greenhouse gas emissions, pollutants to water and land, and the generation of hazardous or non-hazardous waste. The main waste of the Group includes used daily office supplies and daily necessities. We recycle waste as much as possible, and hand over non-recyclable waste to environmental factories for processing, so we cannot count the amount of emissions generated.

The Group is not aware of any major hazards of hazardous or non-hazardous waste, and there is no significant discharge of waste gas or wastewater.

To ensure maximum control of waste and proper disposal of waste, and to reduce the pollution of waste to the Group and the surrounding environment, the Group implements the following measures:

- The Group has actively promoted paperless office, continuously upgraded the office automation system and advocated the electronic communication method in place of printing and fax. Moreover, the Group encourages employees to adopt two-side printing and secondary paper when truly feasible. The Group requires the application for office supplies based on demand and limit to avoid waste. Various departments are responsible for centralized storage of wastes in business sites, and cleaning staff will clean the wastes up every day. The waste in the canteen area shall be managed in a unified manner by the canteen and processed reasonably.

- Stressing energy saving and emission reduction and encouraging employees to walk or travel by public transportation, the Group has made a rigorous policy regarding the use of business cars, reasonably arranged vehicles based on purpose, number of people, location and other factors to reduce the driving mileage of vehicles and increased the utilization efficiency of vehicles to reduce the tail gas emission from these vehicles. The Group has also performed regular vehicle inspection and maintenance to ensure vehicles comply with related standards of the state.

- The Group has provided regular training for employees, explained the knowledge related to energy saving and emission reduction and cultivated their awareness of environmental protection.

2. Use of resources

The Group advocates green operation, uses environment-friendly and energy-saving lights in the workplace and implements the alternated lighting mode in the corridor. The Group adjusts and controls the air-conditioning operating temperature in each office area, and strictly manages the equipment that consumes a lot of electricity so as to reduce the waste of power resources.

In the toilet, the Group uses the induced hand washing equipment and sets a reasonable water flow speed. Besides, the Group also sets the dormancy and energy saving mode for office computers, printers, fax machines and other equipment when they are out of use. The Group also keeps in place a fulltime logistic support team, which periodically checks the water and power equipment to avoid the waste of resources due to artificial negligence.

Through the above measures, the Group effectively manages the use of water, electricity and other resources in operations. As the properties of the Group will not separately record the water and electricity consumed by the employees of the Group, the Group cannot obtain the exact amount of water, electricity and other resources consumed by employees.

3. Environment and natural resources

Based on the business nature, the business development of the Group has not had a significant impact on the environment and natural resources.

SOCIAL DIMENSION

1. Employment status

Highlights of Employment Data	**As at 31 December 2020**	As at 31 December 2019
Total number of employees	**211**	248
Regional distribution (%)		
Beijing	**78**	80
Hangzhou	**16**	12
Shanghai	**3**	4
Nanjing	**0**	2
Hong Kong	**2**	1
Singapore	**1**	1
Gender distribution (%)		
Male	**36**	36
Female	**64**	64
Age distribution (%)		
30 or below	**32**	35
31-35	**26**	25
36-40	**23**	20
41 or above	**19**	20
Degree distribution (%)		
Above bachelor's degree	**11**	11
Bachelor's degree	**60**	58
Junior college or below	**29**	31

The Group has strictly observed the Contract Labor Law of the People's Republic of China and other laws and regulations in remuneration, recruitment, dismissal, promotion, working hour, holiday, equal opportunity, anti-discrimination, diversification and other benefits of employees. In addition, the Group has continuously optimized the employee structure, phased in many professionals in such disciplines as TV & film director, content production, integrated marketing and media planning, and continuously improved the comprehensive capacity and professional competence of the team. At the same time, the Group has strictly observed the laws and regulations in the place of business and provided mandated welfares for employees. In addition to social insurance, housing provident fund, external learning plan and other welfares, the Group has also provided consolation money to elderly parents of employees on holidays, and distributed loyal contribution awards to employees who provide long-term services. Moreover, the Group has also provided welfares and awards featuring humanistic care, including free overseas tourism plan, for employees with excellent performance. In the year, the Group has organized a number of cultural and sport events, including several events for the second-generation offspring of Sinomedia employees.

Event of second-generation offspring of Sinomedia employees

2. Health & Safety

Employees are the most valuable assets of the Group, so the Group pays much attention to their occupational health and safety. The Group strictly complies with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, Regulation on Work-Related Injury Insurances and other relevant laws and regulations. The Group has bought multiple types of high-end health facilities and deployed them in the rest area of the offices for employees to relax themselves and alleviate their working pressure. Meanwhile, the Group has set rest rooms and showering rooms in the office building for employees to alleviate the fatigue after work and provide employees with a comfortable working environment. The Group provides the working lunch for employees to assure their dietary safety and facilitate their dining. Moreover, the Group provides multiple trainings for employees in relation to fire safety, mobility safety and prevention of common workplace diseases to assure their mental and physical health and safety. The Group is dedicated to providing a safe working environment for employees. To the best knowledge, the Group has found no potential occupational disease risk mentioned in the Law of the People's Republic of China on Prevention and Control of Occupational Diseases.

The Group has strengthened health and quarantine measures and made the disease prevention plan and epidemic emergency plan at the corporate level. The Group has improved the environment, health and safety in the workplace. For the year ended 31 December 2020, in face of the prevailing Novel Coronavirus epidemic, the Group set up an epidemic prevention group composed of the senior executives and made relevant business continuity plans and epidemic emergency plans. Moreover, the Group coordinated the Administrative Department and the Human Resources Department of the Group to take multiple defensive measures and ensure the health and safety of employees.

The Group has actively echoed epidemic prevention rules of local governments and strictly implemented epidemic prevention measures, including implementing the flexible working arrangement and asking some employees to work online. At the same time, to protect the health and safety of employees, the Group has reduced unnecessary travel and market activities. Moreover, the Group has applied the Internet and online resources and increased the use of online video conferences.

The Group has arranged special persons to measure employee's body temperatures every day and closely watched their physical health statuses. Also, the Group has provided employees with the latest details of the Novel Coronavirus epidemic and related prevention news. The Group has also provided special face masks and alcoholic disinfectant for employees and specified that employees must wear face masks in the office. During the reporting period, the Group didn't incur Novel Coronavirus infection event involving any employee, thanks to the unremitting effort of the Group and active cooperation by all employees.

3. Development and Training

As to talent cultivation, the Group has forged a full range of comprehensive development platforms for employees. The Group provides comprehensive trainings for new employees and designates special tutors to follow up and coach them. The Human Resources Department conducts regular communication and assessment and helps new employees to quickly get started with work. Every year, the Group provides special tutorship and occupational development assessment for relatively mature employees and provides them with internal development opportunities across functions. With the constant business development, the Group has incubated many composite talents who feature trans-media attributes and master both marketing and professional skills.

When it comes to employee training, the Group has established and implemented pertinent training strategies and plans, including brand communication training targeting current news and hotspot events to help employees understand the point matching brand communication and hotspot incidents. The Group has organized the professional meeting to share media innovation and creative themes for the purpose of enhancing employee's professional knowledge and actual operation ability. The Group has also provided and interpreted customer and industry analysis data to help the marketing team improve the professional service. At the same time, the Group has regularly organized interest and thought sharing events to enrich employees' vision and bring the team members closer to one another.

4. Labor Standards

The Group has strictly observed the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Juvenile Protection Law of the People's Republic of China, the Women and Children Protection Law of the People's Republic of China and other laws and regulations, and established relevant management systems based on these laws to protect employees' rights and interests.

All employees of the Group are hired by the Human Resources Department through the legitimate procedure to ensure they meet the conditions and legal requirements for related positions. The Group adheres to the employment policy of equality of men and women, the same remuneration for the same work and no discrimination, and fairly treats employees from different nationalities, races, genders, ages, religions and cultural backgrounds, and assures various legitimate rights and interests of employees. The Group strictly protect their personal privacies, firmly resist child labor and forced labor and tangibly perform social responsibilities as a listed company.

5. Supply Chain Management

The Group attaches great importance to business procurement management, identifies and manages supplier access and selection by strictly following the principles of openness and transparency, and comprehensively assesses the quality and ethical standards of suppliers so as to ensure fairness in procurement from supplier. During the period of business cooperation, the Group will dynamically check their licenses and qualifications to ensure they comply with related requirements of laws, regulations and policies of the state as well as revisions thereof. The Group also encourages and expects suppliers to strictly abide by business ethics standards and assists suppliers to enhance their awareness of environmental protection and sense of social responsibility.

The major business suppliers of the Group are China Media Group and different mainstream media institutions, which are all legal persons that conform to laws, regulations, policies and practice qualification requirements of the state. For the year ended 31 December 2020, the Group has not been aware of any negative impacts of suppliers on business ethics and environmental protection.

6. Product Liabilities

The Group has strictly observed the Advertisement Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China, and other laws and regulations.

By strictly abiding by the Advertisement Law of the People's Republic of China and linking the entire chain of media, advertisement companies and customers, the Group is committed to ensuring the legal promotion of advertisements and avoiding false advertisements, exaggeration, and infringements. While reaching an agreement with customers, the Group will communicate with them the provisions of the Advertisement Law. During the process of submitting advertisements to the media, professionals of the Group will conduct a preliminary review of the advertising content, and negotiate with customers for modification if necessary. During the review of advertisements, if the media detects that the advertisements violate the provisions of the Advertisement Law, the Group will actively cooperate with the media and customers to ensure that the advertisements are published legally and compliantly. The Group also attaches great importance to the protection of intellectual property rights, adopts comprehensive protection measures for intellectual property rights, implements registration extension of existing trademarks in a timely manner, and has obtained 40 trademark registration certificates issued by the State Intellectual Property Office during the reporting period. For the year ended 31 December 2020, the Group did not violate the above-mentioned laws and regulations.

The Group attaches great importance to customer privacy protection and information security. When signing the contract with the customer, the Group protects customer privacy. The customer information is encrypted by the Company and no one else has the right to access it without the approval of the management. Regarding the right to view and disclose sensitive information, employees can obtain relevant rights only after being approved by their supervisors. In most cases, employees must also be approved by personnel related to data security before they disclose certain information. If such information may involve privacy issues, the legal team and senior management team must also participate in the relevant evaluation and approval process.

7. Anti-corruption

The Group strictly observes the Criminal Law of the People's Republic of China, the Company Law of the People's Republic of China, and other related laws and regulations. The regulations, policies and staff manual of the Group all explicitly specify that all employees shall comply with laws of the state and business codes and forbid employees to conduct or participate in illegal activities in whatever form like bribery, blackmail, fraud and money laundering. The Group contains the anti-corruption clause in any contract it drafts and reiterates the combat against corruption during regular employee training. The internal audit department of the Group regularly conducts the anti-corruption audit and actively investigates and handles any report and suspected information that involves corruption.

For the year ended 31 December 2020, the Group did not incur any report and legal case that involves corruption.

8. Community Activity and Participation

The Group pays much attention to community development, actively participates in social philanthropy, fulfills social responsibility and devotes itself to promoting social harmony in the name of an enterprise. In the year, the Group participated in the "Donating Book Together Plan", an event jointly sponsored by Green & Shine Foundation, China Foundation for Poverty Alleviation and Tencent Charity Platform. The event plan has collected and donated a book charity fund to 100 rural schools in the central and western regions and donated about 650 selected books to every school for the purpose of improving reading resources and environment in these schools. This event is expected to benefit more than 30,000 rural teachers and students.

Donate charity fund to the charity project of Green & Shine Foundation

Collect and donate book charity fund to rural schools

ANNUAL REPORT
2020 年報

Directors' Report

The Directors of the SinoMedia Holding Limited (the "Company") are pleased to present their annual report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020.

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated and domiciled in Hong Kong and has its registered office at Unit 417, 4th Floor, Lippo Centre, Tower Two, No. 89 Queensway, Admiralty, Hong Kong, and principal places of business at Unit 15D, Xintian International Plaza, No. 450 Fushan Road, Pudong New District, Shanghai, PRC and 7/F, The Place-SinoMedia Tower, No. 9 Guanghua Road, Chaoyang District, Beijing, PRC.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are providing TV advertisements, creative content production and digital marketing services for advertisers and advertising agents.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the year ended 31 December 2020 are set out in note 14 to the financial statements.

BUSINESS REVIEW

Details of the business review and performance of the Group for the year ended 31 December 2020 are set out in the section headed "Management Discussion and Analysis". Those discussions form part of this Directors' Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Throughout 2020, there was no incidence of non-compliance with the relevant environmental laws and regulations that have a significant impact on the Group. The Group continues to do more than it is required by adopting measures to reduce energy and other resource use, minimise waste and increase recycling, encourage its employees to adopt environmentally responsible behaviour and promote environmental protection in its supply chain and marketplace.

Discussion on other performance including human resources management initiatives and efforts on environmental protection are set out respectively in the section headed "Environmental, Social and Governance Report" of this annual report. Those discussions form part of this Directors' Report.

COMPLIANCE WITH LAWS AND REGULATIONS

As at 31 December 2020 and up to the date of this annual report, the Board was unaware of any non-compliance with the applicable laws and regulations that have a significant impact on the Company, including but not limited to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2020 is as follows:

	Percentage of the Group's total purchases
The largest supplier	89%
Five largest suppliers in aggregate	97%

The Group's largest customer accounted for about 9% of the Group's revenue, and the Group's five largest customers accounted for about 27% of the Group's revenue.

At no time during the year under review had the Directors, their associates and any shareholder of the Company (which to the knowledge of the Directors owned more than 5% of the number of issued shares of the Company) had any interest in these major suppliers and customers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2020 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 95 to 100.

TRANSFER TO RESERVES

Profits attributable to equity shareholders of the Company, before dividends, of approximately RMB87.21 million (2019: approximately RMB26.40 million) have been transferred to reserves. Other movements in reserves are set out in the Consolidated Statement of Changes in Equity on page 99.

DIVIDENDS

Dividends totaling approximately RMB10.70 million (2019: RMB34.17 million) were paid to equity shareholders of the Company in 2020. The Board proposed the payment of a final dividend of HKD9.00 cents (2019: HKD2.41 cents) per share for the year ended 31 December 2020.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group are set out in note 11 to the financial statements.

SHARES ISSUED IN THE YEAR

Details of the shares issued during the year under review are set out in note 23 to the financial statements.

DONATIONS

During the year under review, the Group did not make any charitable contributions (2019: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year under review, the Company purchased 22,313,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate price of HKD20,279,120. The bought-back shares had been cancelled subsequently in 2020 and in early 2021. The details of the bought-back shares are as follows:

Date (dd/mm/yy)	Number of shares bought-back	Highest Price HKD	Lowest Price HKD	Total paid HKD
01/04/2020	211,000	0.93	0.92	195,120
02/04/2020	209,000	0.94	0.93	195,370
03/04/2020	24,000	0.93	0.93	22,320
07/04/2020	400,000	0.92	0.91	366,700
08/04/2020	238,000	0.92	0.91	217,100
09/04/2020	338,000	0.93	0.91	311,200
14/04/2020	247,000	0.93	0.91	229,120
15/04/2020	350,000	0.94	0.93	327,500
16/04/2020	100,000	0.94	0.94	94,000
20/04/2020	400,000	0.95	0.94	379,190
21/04/2020	224,000	0.95	0.94	212,060
22/04/2020	210,000	0.95	0.94	199,400
23/04/2020	250,000	0.95	0.94	237,000
29/04/2020	144,000	0.95	0.95	136,800
06/05/2020	134,000	0.95	0.95	127,300
04/06/2020	600,000	0.95	0.91	564,220
08/06/2020	194,000	0.94	0.93	182,100
10/06/2020	300,000	0.95	0.95	285,000
12/06/2020	284,000	0.95	0.94	269,460
15/06/2020	550,000	0.95	0.93	517,660
16/06/2020	288,000	0.94	0.93	270,340
19/06/2020	704,000	0.95	0.92	660,190
22/06/2020	450,000	0.95	0.93	422,000
24/06/2020	274,000	0.94	0.92	254,590
30/06/2020	415,000	0.94	0.92	384,430
02/07/2020	404,000	0.92	0.90	366,760
03/07/2020	240,000	0.91	0.91	218,400
06/07/2020	275,000	0.92	0.91	252,600
07/07/2020	336,000	0.93	0.92	310,620
08/07/2020	400,000	0.93	0.92	369,500
09/07/2020	400,000	0.93	0.92	369,000
10/07/2020	800,000	0.93	0.91	733,500

Date (dd/mm/yy)	Number of shares bought-back	Highest Price HKD	Lowest Price HKD	Total paid HKD
13/07/2020	500,000	0.93	0.91	460,040
16/07/2020	410,000	0.95	0.94	388,400
02/09/2020	239,000	0.92	0.91	219,490
03/09/2020	228,000	0.93	0.92	211,260
04/09/2020	200,000	0.93	0.91	184,430
07/09/2020	553,000	0.92	0.91	505,230
08/09/2020	488,000	0.92	0.91	446,080
09/09/2020	141,000	0.93	0.92	130,840
11/09/2020	387,000	0.92	0.91	354,170
14/09/2020	385,000	0.90	0.90	346,500
15/09/2020	422,000	0.91	0.90	382,480
16/09/2020	288,000	0.91	0.90	261,300
17/09/2020	177,000	0.91	0.91	161,070
21/09/2020	342,000	0.93	0.91	314,620
22/09/2020	272,000	0.92	0.91	250,220
24/09/2020	480,000	0.93	0.91	440,000
28/09/2020	399,000	0.92	0.90	361,900
12/10/2020	300,000	0.90	0.88	266,800
15/10/2020	388,000	0.90	0.88	344,200
19/10/2020	396,000	0.89	0.88	350,160
23/10/2020	168,000	0.89	0.89	149,520
28/10/2020	420,000	0.90	0.89	375,620
02/11/2020	396,000	0.89	0.88	350,160
04/11/2020	219,000	0.87	0.86	189,990
06/11/2020	383,000	0.85	0.84	323,570
09/11/2020	900,000	0.86	0.84	760,790
10/11/2020	828,000	0.85	0.84	699,070
13/11/2020	807,000	0.85	0.84	681,430
17/11/2020	490,000	0.86	0.84	418,200
18/11/2020	146,000	0.86	0.86	125,560
23/12/2020	100,000	0.87	0.86	86,310
24/12/2020	68,000	0.87	0.87	59,160
	22,313,000			20,279,120

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS

The Directors during the financial year under review were:

Executive directors:

Chen Xin
Liu Jinlan
Li Zongzhou

Independent non-executive directors:

Qi Daqing
Wang Xin (retired on 9 June 2020)
He Hui David (retired on 9 June 2020)
Ip Hung
Tan Henry (appointed on 9 June 2020)
Zhang Hua (appointed on 9 June 2020)

In accordance with Article 105 of the Company's Articles of Association, Mr. Chen Xin, Mr. Ip Hung and Mr. Qi Daqing shall retire by rotation at the forthcoming annual general meeting ("AGM") of the shareholders of the Company. All of them, being eligible, will offer themselves for re-election at the AGM.

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensatory obligations.

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is set out in note 14 to the financial statements.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

To attract and retain talent and caliber, the Group provides competitive remuneration packages to its Executive Directors and senior management. These comprise basic monthly salary, variable pay and long-term incentive plan which includes share option scheme. The amount of variable pay is set at a percentage of the fixed pay, and is paid yearly relative to performance delivered through plans and objectives with pre-determined criteria and standards.

The remunerations payable to the Directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

The remuneration package of executives is designed so that a proportion is structured to link rewards to corporate and individual performance, and to give incentives to executives to perform at the highest levels. Through job evaluation and job matching, the Group ensures external competitiveness of the pay through reference to market survey and data.

The Non-executive Directors' remuneration relates to the time commitment and responsibilities. They receive fees which comprise the following components:

- Directors' fees, which are usually paid annually; and
- (before the Share Option Schemes had expired) Share options which were granted subject to the discretion of the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the remuneration of the Directors and senior management during the year under review are set out in note 7 to the financial statements.

FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of Directors and the five highest paid individuals of the Group during the year under review are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) 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 taken under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Interests in the Company — Long Positions

Name of Director	Nature of interest	Number of ordinary shares held	Number of underlying shares held under equity derivatives *(Note 1)*	Total	Approximate percentage of issued share capital of the Company
Liu Jinlan	Founder of discretionary trust, beneficiary of trust and beneficial interest	262,122,169 *(Note 2)*	2,800,000	264,922,169	56.54%
Chen Xin	Founder of discretionary trust and beneficiary of trust	258,469,165 *(Note 3)*	–	258,469,165	55.16%
Li Zongzhou	Beneficial interest	–	2,000,000	2,000,000	0.43%
Qi Daqing	Beneficial interest	–	300,000	300,000	0.06%

Notes:

1. The equity derivatives were the outstanding share options granted to the Directors under the Share Option Schemes, details of which are set out in the section headed "Share Option Schemes" in this report.

2. Liu Jinlan is deemed to be interested in 262,122,169 shares of the Company. These shares are held by three discretionary trusts, namely UME Trust (which assets comprised 27,101,344 shares held by United Marine Enterprise Company Limited), DFS (No. 2) Trust (which assets comprised 24,038,312 shares held by SinoMedia Investment Ltd.) and CLH Trust (which assets comprised 210,982,513 shares held by Golden Bridge International Culture Limited), all founded by Liu Jinlan. In respect of 210,982,513 shares therein held by CLH Trust, Liu Jinlan is also a beneficiary of the trust.

3. Chen Xin is deemed to be interested in 258,469,165 shares of the Company. These shares are held by three discretionary trusts, namely MHS Trust (which assets comprised 25,921,344 shares held by Merger Holding Service Company Limited), DFS (No. 1) Trust (which assets comprised 21,565,308 shares held by Digital Finance Service Company Limited) and CLH Trust (which assets comprised 210,982,513 shares held by Golden Bridge International Culture Limited), all founded by Chen Xin. In respect of 210,982,513 shares therein held by CLH Trust, Chen Xin is also a beneficiary of the trust.

(ii) Interests in associated corporations of the Company — Long Positions

Name of Director	Name of associated corporation	Nature of interest	Approximate percentage of issued share capital of the associated corporation
Liu Jinlan	CLH Holding Limited	Founder of discretionary trust	100%
	Golden Bridge International Culture Limited	Corporate interest	100%
	Golden Bridge Int'l Advertising Holdings Limited	Corporate interest	100%
	CTV Golden Bridge International Media Group Co., Ltd.	Corporate interest	0.3%
Chen Xin	CLH Holding Limited	Founder of discretionary trust	100%
	Golden Bridge International Culture Limited	Corporate interest	100%
	Golden Bridge Int'l Advertising Holdings Limited	Corporate interest	100%

Apart from the foregoing, as at 31 December 2020, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) 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 (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The Company has adopted share option schemes on 29 June 2007 (the "Pre-IPO Scheme") and 27 May 2008 (the "Post-IPO Scheme", collectively the "Schemes") respectively, whereby the Board has been authorised, at their discretion, to invite any full time employee, Director or any person approved by the Board or shareholders of the Company (collectively the "Eligible Persons") to take up options (the "Pre-IPO Options" and the "Post-IPO Options", respectively) to subscribe for ordinary shares of the Company. The Pre-IPO Scheme and the Post-IPO Scheme are designed to encourage Eligible Persons to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and to motivate them to achieve higher levels of good corporate governance. The Pre-IPO Scheme and the Post-IPO Scheme expired in 2015 and 2018 respectively.

The total number of securities available for issue under the outstanding options as at the date of this annual report was 17,992,000 shares which represented approximately 4% of the total number of issued shares of the Company as at the date of this annual report.

Movements of the share options under the Schemes for the year ended 31 December 2020 are as follows:

Directors	No. of options outstanding as at beginning of the year	No. of options granted during the year	No. of options exercised during the year	No. of options forfeited or lapsed during the year	No. of options outstanding at the end of the year	Date of grant	Exercise price	Exercise period
Liu Jinlan	2,800,000	–	–	–	2,800,000	30 August 2017	HKD1.77	Note 2
Li Zongzhou	2,000,000	–	–	–	2,000,000	30 August 2017	HKD1.77	Note 2
Qi Daqing	300,000	–	–	–	300,000	30 August 2017	HKD1.77	Note 2
Wang Xin (retired on 9 June 2020)	200,000	–	–	(200,000)	–	11 September 2012	HKD3.22	Note 1

Employees	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options exercised during the year	No. of options forfeited or lapsed during the year	No. of options outstanding at the end of the year	Date of grant	Exercise price	Exercise period
in aggregate	800,000	–	–	(800,000)	–	09 January 2012	HKD2.36	Note 1
	310,000	–	–	(310,000)	–	11 September 2012	HKD3.22	Note 1
	260,000	–	–	(100,000)	160,000	12 April 2013	HKD4.31	Note 1
	650,000	–	–	(310,000)	340,000	19 July 2013	HKD6.86	Note 1
	800,000	–	–	–	800,000	10 September 2014	HKD5.50	Note 1
	640,000	–	–	–	640,000	15 September 2015	HKD2.59	Note 1
	12,152,000	–	–	(700,000)	11,452,000	30 August 2017	HKD1.77	Note 2

Notes:

1. A Post-IPO Options holder may exercise a maximum of 25% of the total number of the Post-IPO Options granted after the lapse of one full year from the date of grant of the Post-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Post-IPO Options granted, up to eight years from the date of grant.

2. A Post-IPO Options holder may exercise a maximum of 25% of the total number of the Post-IPO Options granted after the lapse of one full year from the date of grant of the Post-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Post-IPO Options granted, up to eight years from the date of grant. The exercise of Post-IPO Options by the holder is also subject to certain conditions, including the individual performance assessment conducted by the Board and the financial performance of the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES — LONG POSITIONS

As at 31 December 2020, so far as known to the Directors and chief executive of the Company, the following corporations (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short position in the shares or underlying shares of the Company, 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 as recorded in the register required to be kept under section 336 of the SFO.

Substantial shareholder	Nature of interest	Total number of ordinary shares held	% of total issued shares
Tricor Equity Trustee Limited	Trustee *(Note 1)*	309,608,821	66.08%
CLH Holding Limited	Corporate interest *(Note 2)*	210,982,513	45.03%

Notes:

1. Tricor Equity Trustee Limited is deemed to be interested in 309,608,821 shares of the Company as it is the trustee of CLH Trust (which assets comprised 210,982,513 shares held by Golden Bridge International Culture Limited), MHS Trust (which assets comprised 25,921,344 shares held by Merger Holding Service Company Limited), UME Trust (which assets comprised 27,101,344 shares held by United Marine Enterprise Company Limited), DFS (No. 1) Trust (which assets comprised 21,565,308 shares held by Digital Finance Service Company Limited) and DFS (No. 2) Trust (which assets comprised 24,038,312 shares held by SinoMedia Investment Ltd.).

2. These shares are directly held by Golden Bridge International Culture Limited which is a wholly owned subsidiary of Golden Bridge Int'l Advertising Holdings Limited which in turn is a wholly owned subsidiary of CLH Holding Limited. CLH Holding Limited is deemed to be interested in 210,982,513 shares of the Company held by Golden Bridge International Culture Limited.

Save as disclosed above, so far as known to the Directors and chief executive of the Company, as at 31 December 2020, there was no other person or corporation (other than a Director or chief executive of the Company) who had any interests or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of the Divisions 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

INFORMATION ON VARIABLE INTEREST ENTITY ("VIE") STRUCTURE

Background — the Old VIE Structure

As disclosed in the announcement of the Company dated 27 October 2011, CTV Golden Bridge International Media Group Co., Ltd. ("CTV Media (Shanghai)") has on 27 October 2011 entered into the Structure Contracts with the Mr. Chen Xin and Ms. Liu Jinlan ("Old Legal Owners") thereby adopting the Old VIE Structure. Under the Old VIE Structure, the Group was able to exercise 100% control over CTV Golden Bridge Culture Development (Beijing) Company Limited ("Culture Development") in substance notwithstanding the absence of legal ownership. Culture Development was established on 24 November 2011 and has since been accounted as a subsidiary of the Group by virtue of the Old VIE Structure.

Termination of Old VIE Structure

Equity Transfer Agreements

As disclosed in the announcement of the Company dated 27 April 2018, on 27 April 2018, the Old Legal Owners entered into the Equity Transfer Agreements with Ms. Liu Zhiyi and Ms. Wang Hong ("New Legal Owners"), pursuant to which each of the Old Legal Owners shall sell all of their equity interests in Culture Development to the New Legal Owners at a total consideration of RMB30 million.

The principal terms of the Equity Transfer Agreements are as follows:

1. **First Equity Transfer Agreement**

   On 27 April 2018, Mr. Chen Xin, Ms. Wang Hong and CTV Media (Shanghai) entered into the first equity transfer agreement pursuant to which Mr. Chen Xin agreed to transfer 50% equity interests in Culture Development to Ms. Wang Hong at a consideration of RMB15 million payable by Ms. Wang Hong in the manner agreed by Mr. Chen Xin and Ms. Wang Hong. All interests and rights attaching to the relevant equity interests in Culture Development shall be transferred to Ms. Wang Hong upon completion of registration of change in shareholding at the relevant PRC authority.

2. **Second Equity Transfer Agreement**

On 27 April 2018, Ms. Liu Jinlan, Ms. Liu Zhiyi and CTV Media (Shanghai) entered into the second equity transfer agreement pursuant to which Ms. Liu Jinlan agreed to transfer 50% equity interests in Culture Development to Ms. Liu Zhiyi at a consideration of RMB15 million payable by Ms. Liu Zhiyi in the manner agreed by Ms. Liu Jinlan and Ms. Liu Zhiyi. All interests and rights attaching to the relevant equity interests in Culture Development shall be transferred to Ms. Liu Zhiyi upon completion of registration of change in shareholding at the relevant PRC authority.

Supplemental Agreement

Date:	27 April 2018
Parties:	(i) CTV Media (Shanghai)
	(ii) Culture Development
	(iii) Old Legal Owners
	(iv) New Legal Owners
Subject Matter:	The Old Legal Owners agreed to novate all rights and obligations under the Loans to the New Legal Owners. In consideration of the New Legal Owners agreeing to the novation of the Loans, the Old Legal Owners agreed to set off the New Legal Owners' obligation to pay for the aggregate consideration of RMB30 million for the Equity Transfer. The parties to the Supplemental agreement agreed that the Old Structure Contracts shall be terminated upon the New Structure Contracts becoming effective.

Establishment of New VIE Structure

On 27 April 2018 and immediately after execution of the equity transfer agreements and supplemental agreement, CTV Media (Shanghai), Culture Development and the New Legal Owners entered into a series of agreements to establish the new VIE structure, upon the new structure contracts becoming effective, the Group will be able to exercise control over the operation and assets of Culture Development, and the economic benefits generated by and risks associated with the running of the restricted business by Culture Development will be effectively transferred to the Group.

The New Structure Contracts

The principal terms of the New Structure Contracts are set out below:

1. Exclusive Consultancy Service Agreement

Date:	27 April 2018
Parties:	(i) CTV Media (Shanghai)
	(ii) Culture Development
Subject Matter:	CTV Media (Shanghai) agreed to provide relevant consultancy and supporting services as the exclusive provider of Culture Development. Such consultancy services include but not limited to problem-based solution design, business and strategic planning, clientele management and development, employee development and training, promotion and public relationship, accounting and financial management etc. at the agreed service fees.
	In consideration of the provision of management and consultancy services by CTV Media (Shanghai), Culture Development shall pay a consultancy fee to CTV Media (Shanghai) on an annual basis, which shall be equivalent to 100% of the consolidated profit before tax of Culture Development (such profit to be calculated after deducting all reasonably incurred costs and expenses) in connection with the business operation of Culture Development.
	The service fee for the immediately preceding year will be payable to CTV Media (Shanghai) by Culture Development in the first quarter of each year, and such service fee is determined with reference to (i) the complexity of the services provided; (ii) the time spent on such services; (iii) the value of such services; and (iv) the prevailing market price for such services. CTV Media (Shanghai) may in writing agree to adjust the service fees with reference to the services provided and operation need of Culture Development. In the event Culture Development records a consolidated net loss, Culture Development shall not be required to pay any service fee to CTV Media (Shanghai).
	CTV Media (Shanghai) shall have the exclusive proprietary rights to all intellectual property rights developed or created during the performance of the Exclusive Consultancy Service Agreement and/or other agreements entered into by the parties and related parties. At the request of CTV Media (Shanghai), Culture Development shall assign its intellectual property rights to CTV Media (Shanghai) unconditionally at the minimum price permitted under the then applicable PRC laws and regulations.
Term:	A period of 10 years commencing from the Effective Date, which shall be automatically renewed for another 10 years unless CTV Media (Shanghai) serves notice in writing to Culture Development prior to expiry of the initial term.
	The Exclusive Consultancy Service Agreement shall be terminated prior to expiration of the term should the business period of either CTV Media (Shanghai) or Culture Development expires or be terminated by any other reason, unless such party has transferred all rights and obligations under the Exclusive Consultancy Service Agreement.

2. **Loan Agreement**

Date:	27 April 2018
Parties:	(i) CTV Media (Shanghai) as lender (ii) the New Legal Owners as borrower
Subject Matter:	Pursuant to the Loan Agreement, the parties confirm that, among other things: (i) upon the Supplemental Agreement taking effect, the New Legal Owners have become the legal and beneficial owners of the Loan; and (ii) the Loan is interest-free and may only be used and has been used for the purpose of paying up the registered capital of Culture Development. The New Legal Owners shall pledge 100% of Culture Development's equity interests pursuant to the Share Pledge Agreement as security for the Loan. If, in the opinion of CTV Media (Shanghai), the security provided by the New Legal Owners is not sufficient, CTV Media (Shanghai) is entitled to request the New Legal Owners to provide additional security such as guarantee, mortgage and charge. If any of the New Legal Owners ceases to hold interests in Culture Development, whether directly or indirectly, the New Legal Owners may assign the Loan to any third party designated by CTV Media (Shanghai).
Term:	The term of the loan in aggregate amount of RMB30 million owed by the New Legal Owners to CTV Media (Shanghai) shall be terminated on such date as CTV Media (Shanghai) considers appropriate and notified to the New Legal Owners.

3. **Exclusive Purchase Option Agreement**

Date:	27 April 2018
Parties:	(i) CTV Media (Shanghai) (ii) New Legal Owners (iii) Culture Development
Subject Matter:	Each of the New Legal Owners irrevocably grant an exclusive option to CTV Media (Shanghai) which entitles CTV Media (Shanghai) or its designated nominee(s) to, subject to compliance with applicable PRC laws and regulations, elect to purchase all or part of the equity interests in Culture Development held by the New Legal Owners at the minimum price permitted by the then applicable PRC laws and regulations. Each of the New Legal Owners has undertaken to return to CTV Media (Shanghai) any consideration they received in the event that CTV Media (Shanghai) exercises such option to acquire the equity interests in Culture Development. Culture Development irrevocably grants an exclusive option to CTV Media (Shanghai) which entitles CTV Media (Shanghai) or its designated nominee(s) to, subject to compliance with applicable PRC laws and regulations, elect to purchase all or part of the asset of Culture Development at the minimum price permitted by the then applicable PRC laws and regulations. Culture Development has undertaken to return to CTV Media (Shanghai) any consideration it received in the event that CTV Media (Shanghai) exercises such option to acquire the asset of Culture Development. In order to prevent the flow of assets and value of Culture Development to the New Legal Owners, each of Culture Development and/or the New Legal Owners also undertakes with CTV Media (Shanghai) not to, among other things, (i) supplement, change or amend the articles of association of Culture Development, increase or reduce its registered capital or change its structure of registered capital in any other manner without prior written consent of CTV Media (Shanghai); (ii) provide or receive loans or guarantee except under the New Structure Contracts; (iii) merge or consolidate with, acquire or invest in any entity; (iv) distribute dividends or profits to the New Legal Owners; and (v) sell, transfer, mortgage or otherwise dispose of any of their interests in Culture Development or be allowed to create any encumbrances on them, except under the New Structure Contracts.
Term:	A period of 10 years commencing from the Effective Date subject to early termination, which shall be automatically renewed for another 10 years unless CTV Media (Shanghai) serves notice in writing to Culture Development prior to expiry of the initial term.

4. **Equity Pledge Agreement**

Date:	27 April 2018
Parties:	(i) CTV Media (Shanghai) as pledgee (ii) New Legal Owners as pledgor
Subject Matter:	The New Legal Owners agreed to pledge all their respective equity interests in Culture Development to CTV Media (Shanghai) to secure Culture Development's and/or the New Legal Owners' due performance of all the obligations under the Exclusive Consultancy Service Agreement and the Loan Agreement. CTV Media (Shanghai) shall be entitled to all dividend generated from the equity interests in Culture Development pledged to CTV Media (Shanghai). During the term of the Equity Pledge Agreement, the New Legal Owners shall not, among other matters, transfer any of the equity interests of Culture Development without prior written consent of CTV Media (Shanghai).
Term:	The pledge shall take effect upon the Effective Date and shall remain valid until one year after the expiration of all the contractual obligations of Culture Development and the New Legal Owners under the Exclusive Consultancy Service Agreement and the Loan Agreement.

5. **Business Operation Agreement**

Date:	27 April 2018
Parties:	(i) CTV Media (Shanghai) (ii) Culture Development (iii) New Legal Owners
Subject Matter:	At the request of Culture Development, CTV Media (Shanghai) may opt to serve as performance guarantor for Culture Development in any business operation agreements or transactions Culture Development may enter into with third parties, in which case, as a counter-guarantee, Culture Development shall pledge 100% of its account receivable arising from its business operation to CTV Media (Shanghai). Each of Culture Development and the New Legal Owners agree that, in the absence of CTV Media (Shanghai)'s written consent, Culture Development shall not engage in any transaction which may materially affect its asset, obligations, right and operation, including but not limited to: (i) borrowing or assuming liabilities from any third party that exceed RMB10 million; (ii) selling to or acquiring asset or rights from any third party, including but not limited to intellectual property rights; (iii) providing guarantee in favour of any third party by creating security over its asset and intellectual property; and (iv) transferring any operational agreement in the amount exceeding RMB10 million to any third party.

Each of Culture Development and the New Legal Owners also agree to appoint CTV Media (Shanghai)'s nominees as directors of Culture Development, and nominees who are employed by CTV Media (Shanghai) as general manager, chief finance officer and other senior management. Such senior management's role in Culture Development will be terminated upon such senior management ceasing to be employed by CTV Media (Shanghai) (whether voluntarily or not).

Each of Culture Development and the New Legal Owners agrees to first seek assistance from CTV Media (Shanghai) in the event Culture Development requires any performance guarantee or guarantee for obtaining financing. In such circumstances, CTV Media (Shanghai) may, and is not obliged to do so, provide relevant guarantee in favour of Culture Development. Otherwise CTV Media (Shanghai) shall provide a written notification to Culture Development whereby Culture Development may seek guarantee from other third parties in accordance to CTV Media (Shanghai)'s instructions and recommendations.

Term: A period of 10 years commencing from the Effective Date, which shall be automatically renewed for another 10 years unless CTV Media (Shanghai) objects in writing prior to expiry of the initial term or altering the period of the renewed term.

In the event of termination of any of the New Structured Agreements, CTV Media (Shanghai) shall have the right but not the obligation to terminate the Business Operation Agreement.

The Business Operation Agreement shall be terminated prior to expiration of the term should the business period of either CTV Media (Shanghai) or Culture Development expires or be terminated by any other reason, unless the such party has transferred all rights and obligations under the Business Operation Agreement.

Information on Culture Development and the New Legal Owners

Culture Development is a company established under the laws of the PRC. Upon completion of the registration of the Equity Transfer with the relevant PRC authorities, Culture Development will be owned as to 50% by Ms. Liu Zhiyi and 50% by Ms. Wang Hong. Culture Development and its subsidiaries are engaging in the restricted business.

During the year ended 31 December 2020, Culture Development recorded a revenue of approximately RMB2.32 million and a consolidated revenue of approximately RMB83.69 million; a loss of approximately RMB1.99 million and a consolidated loss of approximately RMB15.32 million. As at 31 December 2020, the consolidated total assets and consolidated net liabilities of Culture Development were approximately RMB385.30 million and RMB12.04 million respectively.

During the year ended 31 December 2019, Culture Development recorded a revenue of approximately RMB257.50 million and a consolidated revenue of approximately RMB359.34 million; a loss of approximately RMB3.42 million and a consolidated profit of approximately RMB35.08 million. As at 31 December 2019, the consolidated total assets and consolidated net liabilities of Culture Development were approximately RMB413.60 million and RMB26.00 million respectively.

Ms. Liu Zhiyi is a PRC resident and is the daughter of the Old Legal Owners. She is the vice president of the Group and concurrently acts as the general manager of the film and television production center of the Group.

Ms. Wang Hong is a PRC resident and is the niece of the Old Legal Owners and the wife of Mr. Li Zongzhou, an executive Director. She is currently the vice president of the Group.

Ms. Liu Zhiyi, Ms. Wang Hong and Culture Development are all associates of connected persons of the Company and therefore connected persons of the Company under Chapter 14A of the Listing Rules.

Reasons for adopting the VIE Structure

As advised by the Company's PRC legal adviser, under the regulations of the Catalogue of Industries for Guiding Foreign Investment (2017 Revision)《(外商投資產業指導目錄(2017年修訂)》) promulgated by of the National Development and Reform Commission and the Ministry of Commerce of the PRC, (i) the business of production of broadcasting and television programs in the PRC falls under the "prohibited" category which prohibits foreign investment; (ii) the business of value-added telecommunication in the PRC falls under the "restricted" category which restricts foreign investors to own more than 50% of the entity operating such business; and (iii) the business of network audio-visual programme in the PRC falls under the "prohibited" category which prohibits foreign investment. As such, CTV Media (Shanghai) being a 99.7% owned subsidiary of the Company and a sino-foreign joint venture as well as any subsidiary of the Company are prohibited from or restricted in engaging in the restricted business owing to the aforesaid restriction. On the other hand, as Culture Development is not a foreign-invested enterprise, Culture Development and its subsidiaries can obtain and have obtained the relevant licenses required for conducting the restricted business in accordance with applicable PRC laws, namely, Radio and TV Program Production and Business Operation License (廣播電視節目製作經營許可證), Internet Content Provider License (電信與信息服務業務經營許可證) and Publication of Audio-Visual Programs through Information Network License (信息網絡傳播視聽節目許可證). Accordingly, the Company has been conducting the restricted business through Culture Development under the Old VIE Structure.

The New VIE Structure is in substance a renewal of the Old VIE Structure with the following amendments:

(1) the registered shareholders of Culture Development will be changed from Mr. Chen Xin and Ms. Liu Jinlan to Ms. Liu Zhiyi and Ms. Wang Hong as part of the internal organisation and succession planning of the Company;

(2) the consultancy fee payable by Culture Development to CTV Media (Shanghai) will be changed from 10% of the revenue of Culture Development to 100% of the consolidated profit before tax of Culture Development to ensure all economic benefits derived by Culture Development will be received by the Group;

(3) as Culture Development no longer uses trademarks of CTV Media (Shanghai) in the course of its business, the parties did not seek to renew the Non-exclusive Trademark Licence Agreement under the Old VIE Structure;

(4) provisions in respect of dispute resolution, succession are modified or inserted in observance of the requirements under the Guidance Letter; and

(5) relevant provisions are modified or inserted and additional undertaking are provided by the New Legal Owners and the spouse of Ms. Wang Hong in order to enhance CTV Media (Shanghai)'s control over Culture Development and ensure the New VIE Structure can effectively confer all economic benefits from Culture Development to the Group.

The New VIE Structure offers better protection to the Company thereby ensuring it can exercise full control over the equity interests and assets of Culture Development and continue to consolidate the financial results of Culture Development into the accounts of the Company as if it was a subsidiary of the Company, and at the same time addressing the aforementioned foreign ownership restriction. The adoption of the VIE Structure is essential for the Company to continue engaging in the restricted business.

Risks related to the VIE Structure

1. **Potential changes in the PRC foreign investment legal regime**

   Notwithstanding the PRC legal adviser is of the view that the New Structure Contracts do not contravene with any applicable laws and regulations, there is uncertainty regarding the interpretation and applicable of the PRC laws and regulations such that the PRC government may determine that the Structure Contracts do not comply with the applicable laws and regulations of the PRC.

   Moreover, on 19 January 2015, the Ministry of Commerce of the PRC circulated Foreign Investment Law of the People's Republic of China (Draft for Comment) (中華人民共和國外國投資法(草案徵求意見稿), "Draft Law"), which contains proposed changes to the PRC foreign investment legal regime and the treatment of the variable interests entity structure. The Draft Law (i) expressly specifies that foreign investments include situations where foreign investors obtain direct or indirect control or interests in the PRC enterprises through structured contracts, trust or other ways and (ii) implement a standardized foreign investment system and management system on restrictions on foreign investments under the prohibited and restricted lists. The Draft Law, if adopted, may have material impact on the PRC foreign investment legal regime.

   As advised by the PRC legal adviser, since the Draft Law is not a bill or draft law under the relevant legislative law in the PRC, it does not have the effect of law and therefore poses no material impact on the New Structure Contracts.

2. **There may be limitations in exercising the purchase rights to acquire equity interests in Culture Development**

   The Company adopted the New VIE Structure in order to indirectly participate in the restricted business and will unwind the New VIE Structure as soon as the law allows such business to be operated by foreign investors in the PRC without the VIE structure. However, CTV Media (Shanghai)'s acquisition of the shares and equity interests in Culture Development may only be conducted to the extent as permitted by applicable PRC laws and may also be subject to substantial costs. Under Exclusive Purchase Option Agreement and subject to compliance with applicable PRC laws and regulations, CTV Media (Shanghai) or its designated nominee shall be entitled to exercise options to purchase the New Legal Owners' equity interests in Culture Development and assets of Culture Development at the minimum price permitted by applicable laws if such transfer of equity interests is allowed by the applicable PRC laws.

3. **The Group depends upon the New VIE Structure to control and obtain economic benefits from Culture Development, which may not be as effective as direct ownership**

   The Group conducts the restricted business indirectly through Culture Development by the New VIE Structure, pursuant to which the Group has control over the operations and assets of Culture Development and is entitled to the economic benefits with respect to the Culture Development's business. However, the New VIE Structure may not be as effective in providing the Group with control over the Culture Development as direct ownership.

If the Group had direct ownership of Culture Development, the Group would be able to exercise its rights directly as a registered shareholder to effect changes in the board of directors of Culture Development, which in turn could effect changes at the management level, subject to any applicable fiduciary obligations. However, under the proposed New VIE Structure, the Group will rely on Culture Development and its shareholders' (i.e. the New Legal Owners) performance of their contractual obligations to exercise effective control.

However, CTV Media (Shanghai) is granted with various shareholder's rights which enable CTV Media (Shanghai) to fully control the performance on the part of Culture Development and the New Legal Owners without their cooperation. Further, The Company has also put in place internal controls measures to minimize the relevant risk.

4. **There may be potential conflicts of interests between the New Legal Owners and the Company or CTV Media (Shanghai)**

Culture Development and its registered shareholders, the New Legal Owners, may fail to take certain actions required for the Group's running of the restricted business or to follow the Group's instructions despite their contractual obligations to do so. If they fail to perform their obligations under the relevant New Structure Contracts, the Group may have to rely on legal remedies under PRC laws which may not be effective.

However, various measures are in place to mitigate the risks associated with the potential conflicts of interests between the Group and the New Legal Owners.

5. **The New Structure Contracts may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed**

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or scrutiny by the tax authorities within ten years after the taxable year when the transactions are conducted. The Group could face material adverse tax consequences if the PRC tax authorities determine that the New Structure Contracts do not represent arm's length negotiations and therefore constitute unfavourable transfer pricing arrangements. Unfavourable transfer pricing arrangements could, among other things, result in an upward adjustment of the amount of tax that CTV Media (Shanghai) or Culture Development is required to pay. In addition, the PRC tax authorities may impose interests on late payments on CTV Media (Shanghai) or Culture Development for the adjusted but unpaid taxes. The New Structure Contracts have been negotiated and executed based on an equal standing and reflect the true commercial intention of CTV Media (Shanghai) or Culture Development.

6. **The Company does not have any insurance which covers the risk relating to the New Structure Contracts and the transactions contemplated thereunder**

   The Group has not purchased any insurance to cover the risk relating to the New Structure Contracts and the Company has no intention to purchase any insurance in this regard. If any event affect the enforceability and operation of the New Structure Contracts, the financial and operation results of the Group may be adversely affected. While the Group has put in place internal control measures to minimize operational risk, the Group will continue to monitor the relevant legal and operational environment on a regular basis in order to comply with the applicable laws and regulations.

Unwinding the New VIE Structure

The Company will unwind the New VIE Structure as soon as PRC laws and regulations allow the business of Culture Development to be operated without the New VIE Structure, and the Company or its nominee may acquire the equity interests in Culture Development held by the New Legal Owners and/or the assets and inventory of Culture Development allocated to the restricted business to the extent as permitted by then applicable PRC laws and regulations. In the event the Company exercises the options under the Exclusive Purchase Option Agreement to acquire the equity interests in Culture Development held by the New Legal Owners and/or the assets of Culture Development to unwind the New VIE Structure, each of the New Legal Owners and Culture Development has undertaken to return to CTV Media (Shanghai) any consideration they received.

However, for the year ended 31 December 2020, none of the New Structure Contracts have been unwound as none of laws regulating the business of Culture Development that led to the adoption of the New Structure Contracts has been removed.

CONNECTED TRANSACTIONS

According to "INFORMATION ON VARIABLE INTEREST ENTITY ("VIE") STRUCTURE" section disclosed above, the transactions contemplated under the Loan Agreement and the Exclusive Purchase Option Agreement constitute connected transactions whilst the transaction contemplated under the Exclusive Consultancy Service Agreement constitutes a continuing connected transaction of the Company. Please refer to the above "INFORMATION ON VARIABLE INTEREST ENTITY ("VIE") STRUCTURE" section for details of the said connected transactions.

The Company has applied and the Stock Exchange has granted a waiver from strict compliance with (i) setting a fixed period for the New Structure Contracts pursuant to Rule 14A.52; and (ii) setting a maximum aggregate annual cap for the service fees under the Exclusive Consultancy Service Agreement pursuant to Rule 14A.53.

The Independent Non-executive Directors have reviewed the continuing connected transaction and confirmed that the transaction has been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; (c) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole; (d) the transaction carried out during the year has been entered into in accordance with the relevant provisions of the New Structure Contracts, has been operated so that the consolidated profit generated by Culture Development has been substantially retained by the Group; and (e) no dividends or other distributions have been made by Culture Development to the New Legal Owners which are not otherwise subsequently assigned or transferred to the Group.

The Company's auditors, KPMG, were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised)"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. KPMG have issued a letter containing the findings and conclusions in respect of the continuing connected transaction disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. Nothing has come to their attention that causes them to believe that such transaction: (i) has not been approved by the Board; (ii) was not entered into, in all material respects, in accordance with the relevant New Structure Contracts; and (iii) that dividends or other distributions have been made by Culture Development to the New Legal Owners which are not otherwise subsequently assigned or transferred to the Group. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement nor contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company, his connected entity or his/her associate had a material interest, whether directly or indirectly, subsisted at 31 December 2020 or at any time during the year under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than share options under the Post-IPO Scheme as disclosed above, at no time during the year ended 31 December 2020 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

MANAGEMENT CONTRACTS

Save for employment contracts, no contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or subsisted during the year.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

Such permitted indemnity provisions have been in force throughout the year under review and is currently in force at the time of approval of this report.

EQUITY-LINKED AGREEMENTS

Other than the Post-IPO Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 168 of the annual report. The summary does not form part of the financial statements.

PROVIDENT AND RETIREMENT FUND SCHEMES

The Group's employees participate in various defined contribution schemes stipulated by the governments, under which the Group is required to make monthly contributions to these schemes. The Group's subsidiaries contribute funds to the retirement benefit schemes, which are calculated based on a stipulated percentage of the employee salary. The Group has no further obligations for the actual payment of post-retirement benefits beyond the said contributions.

Details of the Group's contributions to the retirement benefit schemes are shown in note 5(b) to the financial statements.

AUDITORS

The consolidated financial statements for the year ended 31 December 2020 have been audited by the Company's auditors, KPMG, who shall retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as the Company's auditors will be proposed at the forthcoming AGM.

AUDIT COMMITTEE

The annual results for the year have been reviewed by the Audit Committee of the Company, which is of the opinion that the preparation of such financial information complies with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board
Chen Xin
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINOMEDIA HOLDING LIMITED

(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of SinoMedia Holding Limited ("the Company") and its subsidiaries ("the Group") set out on pages 95 to 167, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, 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"), Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the 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") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

KEY AUDIT MATTERS (CONTINUED)

Recognition of revenue from TV media resources management

Refer to note 3 to the consolidated financial statements and the accounting policies on page 119.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue is generated principally from TV media resources management operations and primarily comprises income generated from the placement of television advertisements. Revenue from the placement of television advertisements is generally recognised when the related advertisements are broadcast using the percentage of completion method with reference to monitoring reports prepared by third parties which record details of the broadcast television advertisements. We identified the recognition of revenue from TV media resources management as a key audit matter because revenue is one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations.	Our audit procedures to assess the recognition of revenue from TV media resources management included the following: • assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition; • comparing a sample of revenue transactions recorded during the year with the underlying advertising contracts and monitoring reports provided by the management and recalculating the percentage of advertisements placed to assess if revenue was properly recognised in the appropriate accounting period; • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying advertising contracts and monitoring reports and recalculating the percentage of advertisements placed at the year end date to assess if revenue had been recognised in the appropriate financial period; • assessing the reliability of the monitoring reports provided by management by comparison with third party monitoring reports obtained by the audit team and/or video records of advertisements recorded by the audit team, on a sample basis; • performing surprise visits to customers' premises, on a sample basis, to assess if the customers existed and whether their operations appeared to be consistent with the services provided by the Group; • selecting a sample of advertising contracts entered into during the year and inspecting payments from the contracting parties and underlying payment details to determine if the payer and the contracting party were the same entity; and • inspecting significant manual adjustments to revenue raised during the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

KEY AUDIT MATTERS (CONTINUED)

Expected credit loss allowances for trade receivables

Refer to note 16 to the consolidated financial statements and the accounting policies on page 116.

The Key Audit Matter	How the matter was addressed in our audit
The Group's trade receivables mainly arose from TV media resources management operations. The total allowance for expected credit loss (ECLs) for the trade receivables balances as at 31 December 2020 was RMB126,751 thousand and the related impairment charge for the year then ended was RMB36,500 thousand, which represented 26.15% of the Group's profit before taxation for the year ended 31 December 2020. Management measures loss allowances at an amount equal to lifetime ECL of the trade receivables based on estimated loss rate for each category of trade receivables grouped according to the shared credit risk characteristics. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's customers of different risk characteristics, current market conditions, customer-specific conditions, and forward-looking information. Such assessment involves significant management judgement and estimation. We identified expected credit loss allowances for trade receivables as a key audit matter because trade receivables and loss allowances are material to the Group and because the recognition of expected credit loss allowances is inherently subjective.	Our audit procedures to assess the expected credit loss allowances for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, segmentation of trade receivable, estimate of expected credit losses and making related allowances; • evaluating the Group's policy for estimating the credit loss allowances with reference to the requirements of the prevailing accounting standard; • obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by the management, including the basis of the segmentation of the trade receivable based on shared credit risk characteristics, the historical default data in management's estimated loss rate; • assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions, customer-specific conditions and forward-looking information; • assessing whether items in the trade receivables aging report were categorised in the appropriate aging bracket by comparing individual items, on a sample basis, with advertising contracts and monitoring report; and • re-performing the calculation of the loss allowances as at 31 December 2020 based on the Group's credit loss allowance policies.

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 IASB, HKFRSs issued by the HKICPA and 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, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 judgement 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 Simon Ho.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2021

Consolidated Statement of Profit or Loss

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

	Note	2020 RMB'000	2019 RMB'000
Revenue	3	**1,175,947**	1,496,813
Cost of services		**(959,757)**	(1,368,029)
Gross profit		**216,190**	128,784
Other revenue	4	**72,634**	57,479
Selling and marketing expenses		**(44,176)**	(58,027)
General and administrative expenses		**(119,263)**	(91,117)
Profit from operations		**125,385**	37,119
Finance income	5(a)	**14,283**	14,881
Finance costs	5(a)	**(101)**	(162)
Net finance income		**14,182**	14,719
Profit before taxation		**139,567**	51,838
Income tax	6(a)	**(52,259)**	(24,476)
Profit for the year		**87,308**	27,362
Attributable to:			
Equity shareholders of the Company		**87,213**	26,403
Non-controlling interests		**95**	959
Profit for the year		**87,308**	27,362
Earnings per share			
Basic and diluted (RMB cents)	10	**18.1**	5.4

The notes on pages 101 to 167 form part of these financial statements. Details of dividends payable to equity shareholders of the Company for the year are set out in note 23(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	2020 *RMB'000*	2019 *RMB'000*
Profit for the year	**87,308**	27,362
Other comprehensive loss for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company and overseas subsidiaries	**(12,352)**	(10)
Total comprehensive income for the year	**74,956**	27,352
Attributable to:		
Equity shareholders of the Company	**74,861**	26,393
Non-controlling interests	**95**	959
Total comprehensive income for the year	**74,956**	27,352

The notes on pages 101 to 167 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	11	**219,620**	224,944
Investment property	11	**562,511**	580,859
Intangible assets	12	**5,654**	16,399
Goodwill	13	**—**	6,002
Interests in associates		**—**	4,362
Other non-current financial assets	15(b)	**203,425**	195,172
Trade and other receivables	16	**—**	1,587
		991,210	1,029,325
Current assets			
Other current financial assets	15(a)	**—**	2,200
Trade and other receivables	16	**240,685**	328,203
Restricted bank deposits		**882**	—
Time deposits with original maturity over three months		**53,023**	30,436
Cash and cash equivalents	17	**788,084**	583,677
		1,082,674	944,516
Current liabilities			
Trade and other payables	18	**92,189**	169,132
Contract liabilities	19	**300,190**	193,105
Lease liabilities	20	**1,132**	1,201
Current taxation	22(a)	**41,210**	29,300
		434,721	392,738
Net current assets		**647,953**	551,778
Total assets less current liabilities		**1,639,163**	1,581,103
Non-current liabilities			
Lease liabilities	20	**2,448**	—
Deferred tax liabilities	22(b)	**14,934**	5,708
NET ASSETS		**1,621,781**	1,575,395

The notes on pages 101 to 167 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
CAPITAL AND RESERVES			
Share capital	*23(c)*	**510,981**	510,981
Reserves		**1,117,368**	1,070,462
Total equity attributable to equity shareholders of the Company		**1,628,349**	1,581,443
Non-controlling interests		**(6,568)**	(6,048)
TOTAL EQUITY		**1,621,781**	1,575,395

Approved and authorised for issue by the board of directors on 29 March 2021.

Chen Xin
Chairman

Li Zongzhou
Director

The notes on pages 101 to 167 form part of these financial statements.

Consolidated Statement of Changes in Equity

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

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 (note 23(c))	Capital reserve RMB'000 (note 23(d)(i))	Statutory reserve RMB'000 (note 23(d)(ii))	Translation reserve RMB'000 (note 23(d)(iii))	Other reserves RMB'000 (note 23(d)(iv))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	510,981	28,163	126,886	(1,187)	2,308	929,210	1,596,361	(7,007)	1,589,354
Changes in equity for 2019:									
Profit for the year	–	–	–	–	–	26,403	26,403	959	27,362
Other comprehensive loss	–	–	–	(10)	–	–	(10)	–	(10)
Total comprehensive income	–	–	–	(10)	–	26,403	26,393	959	27,352
Equity-settled share-based transactions *(note 21)*	–	1,772	–	–	–	–	1,772	–	1,772
Purchase of own shares	–	–	–	–	–	(8,913)	(8,913)	–	(8,913)
Dividends paid to equity shareholders of the Company	–	–	–	–	–	(34,170)	(34,170)	–	(34,170)
Balance at 31 December 2019	510,981	29,935	126,886	(1,197)	2,308	912,530	1,581,443	(6,048)	1,575,395
Balance at 1 January 2020	**510,981**	**29,935**	**126,886**	**(1,197)**	**2,308**	**912,530**	**1,581,443**	**(6,048)**	**1,575,395**
Changes in equity for 2020:									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**87,213**	**87,213**	**95**	**87,308**
Other comprehensive loss	**–**	**–**	**–**	**(12,352)**	**–**	**–**	**(12,352)**	**–**	**(12,352)**
Total comprehensive income	**–**	**–**	**–**	**(12,352)**	**–**	**87,213**	**74,861**	**95**	**74,956**
Equity-settled share-based transactions *(note 21)*	**–**	**872**	**–**	**–**	**–**	**–**	**872**	**–**	**872**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(18,125)**	**(18,125)**	**–**	**(18,125)**
Dividends declared by subsidiaries to the non-controlling equity owner	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(615)**	**(615)**
Dividends paid to equity shareholders of the Company *(note 23(b)(ii))*	**–**	**–**	**–**	**–**	**–**	**(10,702)**	**(10,702)**	**–**	**(10,702)**
Balance at 31 December 2020	**510,981**	**30,807**	**126,886**	**(13,549)**	**2,308**	**970,916**	**1,628,349**	**(6,568)**	**1,621,781**

The notes on pages 101 to 167 form part of these financial statements.

Consolidated Cash Flow Statement

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

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Cash generated from operations	*17(b)*	**320,615**	46,918
Income tax paid	*22(a)*	**(30,486)**	(27,039)
Net cash generated from operating activities		**290,129**	19,879
Investing activities			
Payment for purchase of property, plant and equipment	*11*	**(393)**	(1,392)
Payment for purchase of intangible assets		**(607)**	(251)
Payment for purchase of investment property		**—**	(19,214)
Payment for purchase of other financial assets		**(82,000)**	(79,684)
Proceeds from disposal of financial assets		**43,301**	—
Received from other financial asset		**2,000**	—
Investments to associates		**—**	(2,150)
Time deposits with initial term over three months		**(22,587)**	(21,920)
Proceeds from disposal of property, plant and equipment		**153**	123
Payment of restricted cash		**(882)**	—
Interest received	*5(a)*	**14,268**	14,881
Dividends received from investments in securities		**1,536**	—
Net cash used in investing activities		**(45,211)**	(109,607)
Financing activities			
Payment for purchase of own shares		**(18,125)**	(8,913)
Dividends paid to equity shareholders of the Company		**(10,702)**	(34,170)
Capital element of lease rentals paid		**(1,912)**	—
Interest element of lease rentals paid		**(59)**	—
Other cash flows arising from financing activities		**28**	—
Net cash used in financing activities		**(30,770)**	(43,083)
Net increase/(decrease) in cash and cash equivalents		**214,148**	(132,811)
Cash and cash equivalents at 1 January		**583,677**	715,109
Effect of foreign exchange rate changes		**(9,741)**	1,379
Cash and cash equivalents at 31 December	*17*	**788,084**	583,677

The notes on pages 101 to 167 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). As Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong, are derived from and consistent with IFRSs, these financial statements also comply with HKFRSs. 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 and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. The equivalent new and revised HKFRSs consequently issued by the HKICPA as a result of these developments have the same effective date as those issued by the IASB and are in all material aspects identical to the pronouncements issued by the IASB. Note 1(c) provides information on any changes in accounting policies resulting from initial application of those developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The financial statements are presented in Renminbi (“RMB”) (the “presentation currency”), rounded to the nearest thousand.

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)); and

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

The preparation of financial statements in conformity with IFRSs and HKFRSs 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 and HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

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

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

Other than the amendment to IFRS/HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs/HKFRSs are discussed below:

Amendments to IFRS/HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. The adoption of amendments does not have any material impact on the financial position and the financial result of the Group.

Amendment to IFRS/HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The adoption of amendments does not have any material impact on the financial position and the financial result of the Group.

(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.

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 (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. 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 notes 1(f) and 1(m)(iii)). 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 any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable (see note 1(m)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates 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.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(m)), unless classified as held for sale (or included in a disposal Group that is classified as held for sale).

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 interests 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.

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 and the Company's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

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. These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(w)(vi)).

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in equity securities (continued)

(ii) 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 irrevocable 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. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(w)(v).

(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, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the properties. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(w)(iv).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Other 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(m)):

— 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(l)).

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.

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:

— Buildings	30–45 years
— Fixtures, fittings and computer equipment	3–5 years
— Motor vehicles	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.

(k) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

Other 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. Expenditure on internally generated 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:

— Capitalised development costs	10 years
— Patents, trademarks, domain names and others	10 years
— Softwares	3 years

Both the period and method of amortisation are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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 component(s) and non-lease component(s), 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 laptops and 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.

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

— right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(i); and

— right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value in accordance with note 1(j); and

— right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 1(n).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets (continued)

(i) As a lessee (continued)

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/HKFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS/HKFRS 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.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(w)(iv).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(l)(i), then the Group classifies the sub-lease as an operating lease.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

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, trade receivables and other receivables, including loans to associates and joint ventures, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

— contract assets as defined in IFRS/HKFRS 15;

— debt securities measured at FVOCI (recycling);

— lease receivables; and

— loan commitments issued, which are not measured at FVPL.

Other financial assets measured at fair value, including units in bond funds, equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

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

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

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;

— lease receivables: discount rate used in the measurement of the lease receivable; and

— loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) 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 (i) 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); or (ii) the financial asset is 90 days past due. 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.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Significant increases in credit risk (continued)

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

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

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

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

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— 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, lease receivable 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.

(m) 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(w)).

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(m)(i) apply.

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets

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

— property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts);

— intangible assets;

— goodwill; and

— investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, 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) Credit losses and impairment of assets (continued)

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS/HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(n) 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, property, plant and equipment (see note 1(j)) or intangible assets.

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, property, plant and equipment or intangible assets, are expensed as incurred.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(w)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses in accordance with the policy set out in note 1(m)(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 non-refundable consideration before the Group recognises the related revenue (see note 1(w)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable 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(w)).

(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.

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

(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(m)(i).

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. 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(y)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution 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.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(u) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

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 assets 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.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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 the 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.

(v) Provisions and contingent liabilities

Provisions are recognised when 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.

(w) 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/HKFRS 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) TV media resources management

Revenue from TV media resources management is primarily derived from the placement of advertisements. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to reports issued by an independent third party with relevant qualification and experience on a monthly basis, which evidence the advertisement actually broadcast.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue and other income (continued)

(ii) Content operations and other integrated communication services

Revenue from content operations is primarily derived from advertisement production and other content production. The revenue from content operations is recognised when advertisement production is delivered to the customer in time while the customer has accepted the advertisement production and the related risks and rewards of ownership. Revenue from other integrated communication services is primarily derived from commissions received for assisting advertising clients in obtaining advertising time on media platforms, primarily television stations. When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group in proportion to the stage of completion of the transaction on a monthly basis. The stage of completion is assessed by reference to service performed to date as a percentage of total services to be performed.

(iii) Digital marketing and internet media

Revenue from digital marketing and internet media are primarily derived from digital precision marketing and internet websites operations. The revenue from digital marketing is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The revenue from internet media operations is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss 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 profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

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

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants that become receivable as compensation for expenses already incurred are recognised in profit or loss as other income of the period in which they become receivable.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. 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 Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi 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.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) 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.

(z) 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)

(z) 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.

(aa) 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 purposes 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.

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 resources allocation and performance assessment, the Group has determined and presented a single reportable segment to disclose information as a whole about its services, geographical areas, and major customers.

For the year ended 31 December 2020, there are RMB5,117 thousand of revenue generated from outside Mainland China (2019: RMB8,900 thousand). As at 31 December 2020 and 2019, the balances of non-current assets, which are based on the physical location of the assets located outside Mainland China, are amounting to RMB8 thousand and RMB22 thousand respectively.

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 judgement:

Classification of interests in leasehold land and buildings held for own use

In accordance with IAS/HKAS 16, Property, plant and equipment, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with notes 1(j) and (l). Specifically, registered ownership interests are carried under the revaluation model, while rights to use properties under tenancy agreements are carried at depreciated cost.

In making this judgement, the Group has taken into account that, as the registered owner of a leasehold property, the Group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents. In contrast, the shorter term tenancy agreements are typically for periods of no more than 10 years and are subject to other restrictions, in particular on transferability of the Group's tenancy rights to others. These shorter term tenancy agreements are executed in order to retain operational flexibility and to reduce the Group's exposure to the property market fluctuation. They may contain termination or extension clauses, and/or variable rental payment clauses linked to the level of sales generated by the Group's use of the premises, and are typically subject to market rent reviews.

(b) Sources of estimation uncertainty

Notes 11(b), 21 and 24 contain information about the assumptions and their risk factors relating to valuation of investment property, goodwill impairment, defined benefit retirement obligations, fair value of share options granted and financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 1(f). The recoverable amounts of cash-generating units have been determined based on the higher of the cash-generating units' fair value less costs to sell and its value in use. These calculations require the use of estimates which are disclosed in note 13.

(ii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. Both the period and method of depreciation are reviewed annually. The depreciation expense for future periods are adjusted if there are significant changes from previous estimates.

2 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty (continued)

(iii) Determining the lease term

As explained in accounting policy note 1(l), 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

The Group is principally engaged in TV advertising, creative content production and digital marketing services.

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

	2020 *RMB'000*	2019 *RMB'000*
Revenue from contracts with customers within the scope of IFRS/ HKFRS 15		
— Revenue from TV media resources management	**941,995**	1,251,770
— Revenue from content operations and other integrated communication services	**99,990**	94,364
— Revenue from digital marketing and internet media	**78,252**	98,409
Less: Sales taxes and surcharges	**(1,640)**	(3,332)
	1,118,597	1,441,211
Revenue from rental		
— Revenue from rental	**64,938**	63,236
Less: Sales taxes and surcharges	**(7,588)**	(7,634)
	57,350	55,602
	1,175,947	1,496,813

The Group has applied the practical expedient in paragraph 121 of IFRS/HKFRS 15 and therefore the information about remaining performance obligations is not disclosed for contracts that have an original expected duration of one year or less and also for those performance obligations which are regarded as satisfied as invoiced.

4 OTHER REVENUE

	Note	2020 RMB'000	2019 RMB'000
Government grant	(i)	**14,128**	19,984
Unrealised gains on financial assets	(ii)	**41,698**	35,101
Gains on disposal of financial asset	(iii)	**16,078**	—
Others		**730**	2,394
		72,634	57,479

Notes:

(i) It is the unconditional discretionary grants received from the local government authorities in recognition of the Group's contribution to the development of the local economy.

(ii) The unrealised gains were from investment in China Feihe Limited ("China Feihe").

(iii) The Group conducted a series of on-market transactions to dispose of an aggregate of 3,600,000 shares of China Feihe during the period from 1 June 2020 to 3 June 2020 (representing approximately 0.04% of the number of total issued shares in China Feihe as at 3 June 2020) at an average price between HK$14.30 and HK$14.37 per share. The Group recognised gains of approximately RMB16,078 thousand from the disposals.

5 PROFIT BEFORE TAXATION

(a) Finance income and costs

	2020 RMB'000	2019 RMB'000
Interest income on bank deposits	**14,268**	14,881
Net foreign exchange gain	**15**	—
Finance income	**14,283**	14,881
Net foreign exchange loss	**—**	(109)
Interest on lease liabilities	**(59)**	—
Others	**(42)**	(53)
Finance costs	**(101)**	(162)
Net finance income	**14,182**	14,719

5 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff cost

	Note	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits		**58,810**	71,010
Contributions to defined contribution plan	*(i)*	**535**	5,999
Equity-settled share-based payment expenses	*21*	**872**	1,772
		60,217	78,781

(i) Defined contribution plan

As stipulated by the regulations of the PRC, the Group participates in a defined contribution plan organised by municipal and provincial governments for its employees. The Group is required to make contributions to the contribution plans at rates ranging from 14% to 16% (2019: 14% to 20%) of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

According to the Notices on Periodic Reduction and Exemption of Corporate Social Insurance issued by Department of Resource and social security of Shanghai and Beijing, the Group's subsidiaries in Shanghai and Beijing enjoyed 100% reduction of above mentioned contributions to the contribution plans for the period from 1 February 2020 to 31 December 2020.

The Group also operates defined contribution plan for its employees in Hong Kong and Singapore. The Group makes contributions to the plans at various applicable rates on monthly salary that are in accordance with the local regulations.

5 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

The following expenses are included in cost of services, selling and marketing expenses and general and administrative expenses.

	Note	2020 RMB'000	2019 RMB'000
Amortisation			
— intangible assets	12	**3,652**	6,286
Depreciation	11(a)		
— owned property, plant and equipment		**23,226**	22,679
— right-of-use assets		**2,004**	1,580
		25,230	24,259
Impairment losses			
— trade debtors and bills receivable	24(a)	**36,500**	7,564
— other receivables		**3,650**	345
— other financial assets		**200**	1,522
— goodwill	13	**6,002**	—
— Intangible assets	12	**7,700**	—
— Interest in associates		**2,553**	—
— Investment property	11(a)	**2,855**	—
		59,460	9,431
Auditors' remuneration			
— audit services		**2,650**	2,650
Professional fee		**2,221**	3,755
Research and development costs (other than amortisation and depreciation)		**597**	3,309

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss

	2020 *RMB'000*	2019 *RMB'000*
Current tax		
Provision for Hong Kong profit tax for the current year	**2,510**	—
Provision for PRC income tax for the current year	**45,238**	18,836
Under/(over)-provision in respect of prior years	**26**	(5)
Effect of change in tax rate	**(5,234)**	—
	42,540	18,831
Deferred tax		
Origination and reversal of temporary differences *(note 22(b))*	**9,719**	5,645
Total income tax expense	**52,259**	24,476

(i) The provision for Hong Kong profits tax of the Company is based on the applicable rates on the estimated assessable profits in accordance with the relevant income tax rules and regulations of the Hong Kong. Hong Kong implements two-tiered profits tax rate. The first HKD2 million of assessable profits earned by a corporation is taxed at half of the current tax rate (i.e. 8.25%) whilst the remaining profits will continue to be taxed at 16.5%.

The Company obtained the certificate of resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect of Taxes on Income" for the calendar year 2019 in 2020. This certification can be used from 2019 to 2021 and the with-holding tax rate would be 5%.

(ii) No provision has been made for Hong Kong profits tax and Singapore income tax as the Company's subsidiary in Hong Kong and Singapore had unutilised tax losses brought forward from prior years which was sufficient to set-off against taxable income of 2020.

(iii) The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of the Group entities in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Beijing Lotour Huicheng Internet Technology Company Limited ("Lotour Huicheng"), Beijing Laite Laide Management Consultancy Company Limited ("Laite Laide"), Golden Bridge Wisdom Technology (Beijing) Company Limited ("Golden Bridge Wisdom") and Pinmu Ronghe Business Management (Shanghai) Company Limited ("Pinmu Ronghe"), are at a preferential rate of 20% as a small meager-profit enterprise. Except for the Company and its subsidiaries in Hong Kong and Singapore, Lotour Huicheng, Laite Laide, Golden Bridge Wisdom and Pinmu Ronghe applicable income tax rate of other Group entities in the PRC is the statutory tax rate of 25%.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

	2020 *RMB'000*	2019 *RMB'000*
Profit before taxation	**139,567**	51,838
Notional tax on profit before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions	**29,993**	9,575
Tax effect of temporary differences not recognised	**14,419**	26,894
Dividends withholding tax	**10,219**	—
Tax effect of non-deductible expenses	**3,804**	995
Effect of change in tax rate	**(5,234)**	—
Tax effect of use of tax losses in prior years	**(422)**	(12,691)
Tax effect of non-taxable income	**(446)**	(41)
Under/(over)-provision in respect of prior years	**26**	(5)
Others	**(100)**	(251)
Actual tax expense	**52,259**	24,476

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:

For the year ended 31 December 2020

	Directors' fees *RMB'000*	Salaries, allowances and other benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contribution to defined contribution plan *RMB'000*	Equity settled share-based payment *RMB'000*	2020 Total *RMB'000*
Executive directors						
Chen Xin	–	928	200	61	–	1,189
Liu Jinlan	–	1,140	450	58	118	1,766
Li Zongzhou	–	1,020	–	–	84	1,104
Independent non-executive directors						
Qi Daqing	200	–	–	–	12	212
Wang Xin (retired on 9 June 2020)	72	–	–	–	–	72
He Hui David (retired on 9 June 2020)	–	–	–	–	–	–
IP Hung	174	–	–	–	–	174
Tan Henry (appointed on 9 June 2020)	101	–	–	–	–	101
Zhang Hua (appointed on 9 June 2020)	101	–	–	–	–	101
	648	3,088	650	119	214	4,719

For the year ended 31 December 2019

	Directors' fees *RMB'000*	Salaries, allowances and other benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contribution to defined contribution plan *RMB'000*	Equity settled share-based payment *RMB'000*	2019 Total *RMB'000*
Executive directors						
Chen Xin	–	1,175	198	114	–	1,487
Liu Jinlan	–	1,670	378	94	274	2,416
Li Zongzhou	–	1,334	297	–	195	1,826
Independent non-executive directors						
Qi Daqing	203	–	–	–	29	232
Lian Yuming (retired on 6 June 2019)	74	–	–	–	–	74
Wang Xin	177	–	–	–	–	177
He Hui David	–	–	–	–	–	–
IP Hung (appointed on 6 June 2019)	103	–	–	–	–	103
	557	4,179	873	208	498	6,315

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments during the year ended 31 December 2020, three (2019: three) are Directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2019: two) individuals are as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Salaries, allowances and other benefits in kind	**2,216**	2,389
Discretionary bonuses	**100**	844
Contribution to defined contribution plan	**23**	133
Equity-settled share-based transactions	**21**	98
	2,360	3,464

The emoluments of the two (2019: two) individuals with the highest emoluments are within the following bands:

	2020	2019
RMB Nil to RMB1,000,000	**1**	0
RMB1,000,001 to RMB2,000,000	**1**	2

9 OTHER COMPREHENSIVE INCOME

There are no tax effects relating to the exchange differences on translation of financial statements of the Company and its subsidiaries in Hong Kong and Singapore during the year (2019: nil).

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB87,213 thousand (2019: RMB26,403 thousand) and the weighted average of 481,766,082 ordinary shares (2019: 492,611,329 shares) in issue during the year, calculated as follows:

	2020 RMB'000	2019 RMB'000
Profit attributable to ordinary equity shareholders	**87,213**	26,403

Weighted average number of ordinary shares	2020 '000	2019 '000
Issued ordinary shares at 1 January	**490,712**	496,613
Effect of shares repurchased	**(8,946)**	(4,002)
Weighted average number of ordinary shares at 31 December	**481,766**	492,611

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB87,213 thousand (2019: RMB26,403 thousand) and the weighted average number of ordinary shares of 481,766,082 shares (2019: 492,611,329 shares after adjusting for the effect of share options in issue), calculated as follows:

	2020 RMB'000	2019 RMB'000
Profit attributable to ordinary equity shareholders (basic and diluted)	**87,213**	26,403

Weighted average number of ordinary shares (diluted)	2020 '000	2019 '000
Weighted average number of ordinary shares (basic)	**481,766**	492,611
Effect of share options in issue	**—**	—
Weighted average number of ordinary shares (diluted) at 31 December	**481,766**	492,611

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

(a) Reconciliation of carrying amount

	Buildings held for own use carried at cost *RMB'000*	Fixtures, fittings and computer equipment *RMB'000*	Motor vehicles *RMB'000*	Sub-total *RMB'000*	Investment property *RMB'000*	Total *RMB'000*
Original cost						
Balance at 1 January 2019	271,550	12,843	14,793	299,186	673,067	972,253
Additions	1,964	86	1,306	3,356	19,214	22,570
Disposals	—	(301)	(860)	(1,161)	—	(1,161)
Reclassification	1,064	—	—	1,064	(1,064)	—
Balance at 31 December 2019	274,578	12,628	15,239	302,445	691,217	993,662
Balance at 1 January 2020	**274,578**	**12,628**	**15,239**	**302,445**	**691,217**	**993,662**
Additions	**4,291**	**393**	**—**	**4,684**	**—**	**4,684**
Disposals	**(3,127)**	**(1,518)**	**(1,058)**	**(5,703)**	**—**	**(5,703)**
Balance at 31 December 2020	**275,742**	**11,503**	**14,181**	**301,426**	**691,217**	**992,643**
Depreciation						
Balance at 1 January 2019	43,899	11,354	13,033	68,286	96,383	164,669
Charge for the year	9,074	586	512	10,172	14,127	24,299
Disposals	—	(292)	(817)	(1,109)	—	(1,109)
Reclassification	152	—	—	152	(152)	—
Balance at 31 December 2019	53,125	11,648	12,728	77,501	110,358	187,859
Balance at 1 January 2020	**53,125**	**11,648**	**12,728**	**77,501**	**110,358**	**187,859**
Charge for the year	**8,901**	**459**	**377**	**9,737**	**15,493**	**25,230**
Disposals	**(3,127)**	**(1,320)**	**(985)**	**(5,432)**	**—**	**(5,432)**
Balance at 31 December 2020	**58,899**	**10,787**	**12,120**	**81,806**	**125,851**	**207,657**
Impairment loss						
Balance at 1 January 2020	**—**	**—**	**—**	**—**	**—**	**—**
Charge for the year	**—**	**—**	**—**	**—**	**2,855**	**2,855**
Balance at 31 December 2020	**—**	**—**	**—**	**—**	**2,855**	**2,855**
Net book value						
At 31 December 2020	**216,843**	**716**	**2,061**	**219,620**	**562,511**	**782,131**
At 31 December 2019	221,453	980	2,511	224,944	580,859	805,803

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY (CONTINUED)

(a) Reconciliation of carrying amount (continued)

Note:

An impairment loss of RMB2,855 thousand of investment properties in Shandong province and Zhejiang province was recognised in general and administrative expenses. The estimate of recoverable amount were based on the investment properties' fair values less costs of disposal using market approach. Market observable transactions adjusted to reflect the locations and conditions of the subject property. Price per square meter is calculated, using market direct comparable and taking into account of location, age and other individual factors.

(b) Fair value measurement of investment properties

According to the Property Valuation Report issued by Beijing Guorongxinghua Real Estate Appraisal Co., Ltd., an independent qualified valuer in Beijing, the fair value as at 31 December 2020 of the Group's investment properties in Beijing are RMB1,108,854 thousand (2019: RMB1,134,773 thousand).

(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:

	Note	**31 December 2020** *RMB'000*	**1 January 2020** *RMB'000*
Other properties leased for own use, carried at depreciated cost	*(i)*	**3,834**	**1,547**

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:		
Other properties leased for own use	**2,004**	1,580
Interest on lease liabilities	**59**	—
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2020	**1,446**	2,990

During the year, additions to right-of-use assets were RMB4,291 thousand (2019: RMB1,964 thousand). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 17(c) and 20, respectively.

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY (CONTINUED)

(c) Right-of-use assets (continued)

(i) Other properties leased for own use

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 1 to 5 years.

(d) Investment properties leased out under operating leases

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**64,043**	62,882
After 1 year but within 5 years	**160,400**	212,855
	224,443	275,737

12 INTANGIBLE ASSETS

	Development costs *RMB'000*	Patents and trademarks *RMB'000*	Softwares *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2019	22,666	38,857	616	62,139
Additions	286	10,571	—	10,857
Transfer	(10,571)	—	—	(10,571)
At 31 December 2019	12,381	49,428	616	62,425
At 1 January 2020	**12,381**	**49,428**	**616**	**62,425**
Additions	**607**	**—**	**—**	**607**
At 31 December 2020	12,988	49,428	616	63,032
Accumulated amortisation				
At 1 January 2019	12,381	26,945	414	39,740
Charge for the year	—	6,237	49	6,286
At 31 December 2019	12,381	33,182	463	46,026
At 1 January 2020	**12,381**	**33,182**	**463**	**46,026**
Charge for the year	**—**	**3,604**	**48**	**3,652**
At 31 December 2020	**12,381**	**36,786**	**511**	**49,678**
Impairment loss				
At 1 January 2020	**—**	**—**	**—**	**—**
Additions	**—**	**7,700**	**—**	**7,700**
At 31 December 2020	**—**	**7,700**	**—**	**7,700**
Net book value				
At 31 December 2020	**607**	**4,942**	**105**	**5,654**
At 31 December 2019	—	16,246	153	16,399

The amortisation charge for the year is included in general and administrative expenses in the consolidated statement of profit or loss. During the year ended 31 December 2020, as a result of Hangzhou Sanji Media Group Limited ("Hangzhou Sanji") cannot meet the management forecast and in view of the business uncertainties in the foreseeable future, the Group considers there is an impairment indicator of Hangzhou Sanji. The Group assessed the recoverable amounts of the intangible assets and goodwill, and wrote down the carrying values of the intangible assets and goodwill to their recoverable amount of zero. An impairment loss of intangible assets of RMB7,700 thousand were recognised as general and administrative expenses

13 GOODWILL

	RMB'000
Cost	
At 1 January 2019, 31 December 2019 and 31 December 2020	23,644
Accumulated impairment losses	
At 1 January 2019, 31 December 2019	17,642
Charge for the year	**6,002**
At 31 December 2020	**23,644**
Carrying amount	
At 31 December 2020	**–**
At 31 December 2019	6,002

Impairment tests for cash-generating units containing goodwill

Goodwill arises on the acquisition of Hangzhou Sanji Media Group Limited ("Hangzhou Sanji") is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Hangzhou Sanji	**–**	6,002

As a result of Hangzhou Sanji cannot meet the management forecast and in view of the business uncertainties in the foreseeable future, the Group considers there is an impairment indicator of Hangzhou Sanji. For the purpose of impairment testing, the recoverable amounts of the CGUs have been determined by the Directors on the basis of value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The major assumption is the growth rate in revenue. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using discount rates of 21.54% (2019: 20.50%). The discount rates used are pre-tax and reflect specific risks relating to Hangzhou Sanji. Based on the result of impairment assessment, impairment losses of goodwill of RMB6,002 thousand was recognised during the year ended 31 December 2020.

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

As at 31 December 2020, the Company had direct and indirect interests in the following subsidiaries:

Name of companies	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Director(s)
Sino-foreign invested enterprise established in the PRC							
CTV Golden Bridge International Media Group Company Limited 中視金橋國際傳媒集團有限公司	Shanghai, the PRC 23-Jun-05	USD30,000,000	99.70%	99.70%	–	TV advertising agency, branding and content production services	Mr. Chen Xin Ms. Liu Jinlan Mr. Li Zongzhou Mr. Liu Xuming Mr. Wang Yingda
Foreign venture enterprise established in Hong Kong							
SinoMedia (Asia Pacific) Company Limited 中視金橋(亞太)有限公司	Hong Kong 31-May-11	HKD10,000,000	100%	100%	–	TV advertising agency, branding and content production services	Mr. Chen Xin Ms. Liu Jinlan
Foreign venture enterprise established in Singapore							
Sinomedia Global Pte. Ltd.	Singapore 07-Aug-13	SGD2,000,000	100%	100%	–	Production and distribution of advertisement	Ms. Liu Jinlan Mr. Li Zongzhou
Domestic companies established in the PRC							
Beijing Laite Laide Management Consultancy Company Limited 北京萊特萊德管理諮詢有限公司	Beijing, the PRC 19-Oct-09	RMB5,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Mr. Li Zongzhou
CTV Golden Bridge Advertising Company Limited 中視金橋廣告有限公司	Shanghai, the PRC 19-Jan-10	RMB50,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Mr. Li Zongzhou
Beijing Bozhiruicheng Information Consultancy Company Limited 北京博智瑞誠信息諮詢有限公司	Beijing, the PRC 23-Nov-10	RMB25,000,000	99.70%	–	100%	Investment holding	Mr. Li Zongzhou
CTV Golden Bridge Culture Development (Beijing) Company Limited 中視金橋文化發展(北京) 有限公司	Beijing, the PRC 24-Nov-11	RMB30,000,000	99.70%	–	100%	Production and operation of broadcasting and television programs	Mr. Li Zongzhou

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of companies	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities	Director(s)
Beijing Lotour Huicheng Internet Technology Company Limited 北京樂途匯誠網絡技術有限責任公司	Beijing, the PRC 21-Dec-10	RMB30,841,400	70.80%	–	71%	Information services, media production and advertisement services	Mr. Liu Xuming Mr. Chen Xin Mr. Peng Bin
Hangzhou Sanji Media Company Limited 杭州三基傳媒有限公司	Hangzhou, the PRC 22-Jun-06	RMB50,930,000	99.70%	–	100%	Information services, media production and advertisement services	Mr. Chen Xin Ms. Liu Jinlan
Hangzhou Dalei Internet Technology Company Limited 杭州大雷網絡科技有限公司	Hangzhou, the PRC 09-May-12	RMB10,000,000	99.70%	–	100%	Information services, media production and advertisement services	Ms. Li Mingzhu
Golden Bridge Wisdom Technology (Beijing) Company Limited 金橋智慧科技 (北京) 有限公司	Beijing, the PRC 05-Feb-16	RMB10,000,000	99.70%	–	100%	Advertisement design and production, agency and publishing services	Mr. Li Zongzhou
Pinmu Ronghe Business Management (Shanghai) Company Limited 品木融和企業管理(上海) 有限公司	Shanghai, the PRC 02-Nov-16	RMB1,000,000	99.70%	–	100%	Corporate management, consulting and property management	Mr. Yan Tiehua
Pinmu Ronghe Property Management (Beijing) Company Limited 品木融和物業管理(北京) 有限公司	Beijing, the PRC 16-Dec-16	RMB200,000	99.70%	–	100%	Corporate management, consulting and property management	Mr. Yan Tiehua
Beijing Document Time International Culture Company Limited 北京紀錄時代國際文化有限公司	Beijing, the PRC 22-Feb-17	RMB1,000,000	99.70%	–	100%	Advertisement design and production, agency and publishing services	Mr. Li Zongzhou

CTV Golden Bridge International Media Jiangsu Company Limited (中視金橋國際傳媒江蘇有限公司) and Beijing Golden Bridge Senmeng Media Advertising Company Limited (北京金橋森盟傳媒廣告有限公司) have been liquidated during the year 2020.

15 OTHER FINANCIAL ASSETS

(a) Other current financial asset

	2020 *RMB'000*	2019 *RMB'000*
Financial assets measured at FVPL		
— Other derivative assets	**–**	2,000
— Equity securities not held for trading	**–**	200
	–	2,200

(b) Other non-current financial assets

	Note	2020 *RMB'000*	2019 *RMB'000*
Financial assets measured at FVPL			
— Equity securities listed in Hong Kong	*(i)*	**81,425**	73,172
Equity securities measured at FVOCI			
— Equity securities not held for trading	*(ii)*	**122,000**	122,000
		203,425	195,172

Notes:

(i) As at 31 December 2020, the Group holds approximately 0.06% shares of China Feihe Limited (stock code: 6186) and designated the investment at FVPL. Dividends received on this investment were HKD1,768 thousand (equivalent to approximately RMB1,536 thousand) during the year ended 31 December 2020.

(ii) The unlisted equity securities are shares in Shanghai Bloks Technology Group Co., Ltd (formerly known as "Shanghai Putao Technology Co., Ltd"). The Group designated its investment in Shanghai Bloks Technology Group Co., Ltd. at FVOCI (non-recycling), as the investment is held for strategic purposes.

16 TRADE AND OTHER RECEIVABLES

	2020 *RMB'000*	2019 *RMB'000*
Non-current assets		
Other receivables	–	1,587
Current assets		
Trade debtors and bills receivable, net of loss allowance	**82,697**	147,249
Prepayments and deposits to media suppliers	**148,690**	162,901
Advances to employees	**3,047**	1,966
Other debtors and prepayments, net of loss allowance	**6,251**	16,087
	240,685	329,790

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Within 3 months	**58,444**	95,244
3 months to 6 months	**16,486**	17,451
6 months to 12 months	**7,620**	2,405
Over 12 months	**147**	32,149
	82,697	147,249

Credit terms are granted to the customers, depending on credit assessment carried out by management on an individual basis. The credit terms for trade receivables are generally from nil to 90 days.

The Group's exposure to credit risks related to trade and other receivables are disclosed in note 24(a).

17 CASH AND CASH EQUIVALENTS

	2020 *RMB'000*	2019 *RMB'000*
Cash at banks and on hand	**788,084**	583,677

17 CASH AND CASH EQUIVALENTS (CONTINUED)

(a) Cash and cash equivalents are denominated in:

	2020 RMB'000	2019 RMB'000
RMB	**573,274**	532,129
HKD	**202,245**	40,811
USD	**970**	995
EUR	**—**	240
AUD	**6**	6
SGD	**7,936**	6,819
CAD	**3,479**	2,508
CHF	**174**	169
	788,084	583,677

(b) Reconciliation of profit before taxation to cash generated from operations

	Note	2020 RMB'000	2019 RMB'000
Profit before taxation		**139,567**	51,838
Adjustments for:			
Depreciation	5(c)	**25,230**	24,259
Amortisation of intangible assets	5(c)	**3,652**	6,286
Impairment loss of goodwill	13	**6,002**	—
Impairment loss of intangible assets	12	**7,700**	—
Impairment loss of investment property	11(a)	**2,855**	—
Impairment loss of associates		**2,553**	—
Impairment loss of other financial assets		**200**	—
Finance income	5(a)	**(14,268)**	(14,881)
Finance cost		**59**	—
Foreign exchange loss/(gain)		**74**	(1,379)
Net loss/(gain) on disposal of property, plant and equipment		**107**	(70)
Net gains on disposal of financial assets	4	**(16,078)**	—
Net unrealised gains on financial assets	4	**(41,698)**	(35,101)
Dividend income		**(1,564)**	—
Equity-settled share-based payment expenses	5(b)	**872**	1,772
		115,263	32,724
Changes in working capital:			
Decrease in trade and other receivables		**86,911**	98,468
Increase/(decrease) in trade and other payables and contract liabilities		**118,441**	(84,274)
Cash generated from operations		**320,615**	46,918

17 CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

	Lease liabilities *RMB'000*
At 1 January 2020	1,201
Capital element of lease rentals paid	(1,912)
Interest element of lease rentals paid	(59)
Total changes from financing cash flows	(1,971)
Other changes	
Increase in lease liabilities from entering into new leases during the year	4,291
Finance costs *(note 5(a))*	59
Total other changes	4,350
Exchange adjustment	—
At 31 December 2020	3,580

18 TRADE AND OTHER PAYABLES

	Note	**2020** ***RMB'000***	2019 *RMB'000*
Trade payables	*(i)*	**16,306**	16,060
Payroll and welfare expenses payables		**17,997**	10,582
Other tax payables	*(ii)*	**8,153**	12,331
Other payables and accrued charges		**48,473**	129,514
Dividends payable due to non-controlling interests		**1,260**	645
Financial liabilities measured at amortised cost		**92,189**	169,132
		92,189	169,132

(i) The ageing analysis of trade payables is as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Within 3 months	**12,049**	12,114
3 months to 6 months	**2,660**	2,732
6 months to 12 months	**79**	1,066
Over 12 months	**1,518**	148
	16,306	16,060

(ii) Other tax payables mainly comprised value-added tax payable and the construction fee for cultural undertaking payable.

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 24.

19 CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Contract liabilities		
Media services contracts		
— Billings in advance of performance	**283,503**	192,374
Rental contracts		
— Billings in advance of performance	**16,687**	731
	300,190	193,105

Contract liabilities primarily arises from relates to the considerations received from customers before the Group satisfying performance obligations. It would be recognised as revenue upon the rendering of services.

20 LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	**1,132**	1,201
After 1 year but within 2 years	**1,241**	—
After 2 years but within 5 years	**1,207**	—
	2,448	—
	3,580	1,201

21 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Pre-IPO Share Option Scheme

On 1 July 2007, the Company granted share options to employees of the Group, including directors of any companies in the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company. The consideration for the acceptance of the option is RMB0.1 per option.

Pursuant to the written resolutions of the directors of the Company passed on 24 April 2008, each of the share option granted was sub-divided into 3.2 share options and the exercise price of share option was divided by 3.2 accordingly. The number and exercise price of share option granted have been retrospectively adjusted for the effects of the share subdivision as if the share option subdivision had taken place as at the grant date.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

21 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme

Pursuant to the ordinary resolutions of the shareholders of the Company passed on 27 May 2008, the Company has adopted a share option scheme (the "Post-IPO Scheme") whereby directors of the Company may, at their discretion, invite any full time employee, director or any person approved by the Board or shareholders of the Company to take up options which entitle them to subscribe for shares of the Company.

Up to 31 December 2020, the Company granted 12 tranches of share option under Post-IPO Scheme.

(i) The terms and conditions of the grants that exist during the years are as follows:

(1) Post-IPO 1st tranche

On 17 September 2009, the Company granted share options to three independent non-executive directors of the Company, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 3 years. Each instalment is accounted for as a separate share-based payment arrangement.

(2) Post-IPO 2nd tranche

On 2 July 2010, the Company granted share options to full time employee of the Group and two directors of the Company, to subscribe for shares of the Company Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(3) Post-IPO 3rd tranche

On 22 November 2010, the Company granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(4) Post-IPO 4th tranche

On 6 December 2010, the Company granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

21 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows: (continued)

(5) Post-IPO 5th tranche

On 29 August 2011, the Company granted share options to full time employee of the Group and a director of the Company, to subscribe for shares of the Group. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(6) Post-IPO 6th tranche

On 9 January 2012, the Company granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(7) Post-IPO 7th tranche

On 11 September 2012, the Company granted share options to full time employee of the Group and a director of the Company, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(8) Post-IPO 8th tranche

On 12 April 2013, the Company granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(9) Post-IPO 9th tranche

On 19 July 2013, the Company granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

21 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows: (continued)

(10) Post-IPO 10th tranche

On 10 September 2014, the Company granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
10 September 2014	200,000	One year's service	8 years
10 September 2014	200,000	Two years' service	8 years
10 September 2014	200,000	Three years' service	8 years
10 September 2014	200,000	Four years' service	8 years

(11) Post-IPO 11th tranche

On 15 September 2015, the Company granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
15 September 2015	160,000	One year's service	8 years
15 September 2015	160,000	Two years' service	8 years
15 September 2015	160,000	Three years' service	8 years
15 September 2015	160,000	Four years' service	8 years

(Expressed in Renminbi unless otherwise indicated)

21 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows: (continued)

(12) Post-IPO 12th tranche

On 30 August 2017, the Company granted share options to full time employee of the Group and three directors of the Company, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. The exercise of Post-IPO Options by the holder is subject to certain conditions, including the individual performance assessment conducted by the Board and the financial performance of the Group. Each instalment is accounted for as a separate share-based payment arrangement.

Besides the conditions of grants above, terms and other conditions that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
30 August 2017	4,138,000	One year's service	8 years
30 August 2017	4,138,000	Two years' service	8 years
30 August 2017	4,138,000	Three years' service	8 years
30 August 2017	4,138,000	Four years' service	8 years

21 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	Post-IPO Option 1st tranche	Post-IPO Option 2nd tranche	Post-IPO Option 3rd tranche	Post-IPO Option 4th tranche	Post-IPO Option 5th tranche		Post-IPO Option 6th tranche		Post-IPO Option 7th tranche	
At 1 January 2019	–	–	–	–	HKD2.62	320,000	HKD2.36	800,000	HKD3.22	510,000
Granted	–	–	–	–	–	–		–		–
Exercised	–	–	–	–	–	–		–		–
Lapsed	–	–	–	–	HKD2.62	320,000		–		–
At 31 December 2019	–	–	–	–		–	HKD2.36	800,000	HKD3.22	510,000
At 1 January 2020	**–**	**–**	**–**	**–**		**–**	**HKD2.36**	**800,000**	**HKD3.22**	**510,000**
Granted	**–**	**–**	**–**	**–**		**–**		**–**		**–**
Exercised	**–**	**–**	**–**	**–**		**–**		**–**		**–**
Lapsed	**–**	**–**	**–**	**–**		**–**	**HKD2.36**	**800,000**	**HKD3.22**	**510,000**
At 31 December 2020	**–**	**–**	**–**	**–**		**–**		**–**		**–**
Currently exercisable At 31 December 2020	**–**	**–**	**–**	**–**		**–**		**–**		**–**

	Post-IPO Option 8th tranche		Post-IPO Option 9th tranche		Post-IPO Option 10th tranche		Post-IPO Option 11th tranche		Post-IPO Option 12th tranche		Total
At 1 January 2019	HKD4.31	260,000	HKD6.86	650,000	HKD5.50	800,000	HKD2.59	640,000	HKD1.77	17,352,000	21,332,000
Granted		–		–		–		–		–	–
Exercised		–		–		–		–		–	–
Lapsed		–		–		–		–	HKD1.77	100,000	420,000
At 31 December 2019	HKD4.31	260,000	HKD6.86	650,000	HKD5.50	800,000	HKD2.59	640,000	HKD1.77	17,252,000	20,912,000
At 1 January 2020	**HKD4.31**	**260,000**	**HKD6.86**	**650,000**	**HKD5.50**	**800,000**	**HKD2.59**	**640,000**	**HKD1.77**	**17,252,000**	**20,912,000**
Granted		**–**		**–**		**–**		**–**		**–**	**–**
Exercised		**–**		**–**		**–**		**–**		**–**	**–**
Lapsed	**HKD4.31**	**100,000**	**HKD6.86**	**310,000**		**–**		**–**	**HKD1.77**	**700,000**	**2,420,000**
At 31 December 2020	**HKD4.31**	**160,000**	**HKD6.86**	**340,000**	**HKD5.50**	**800,000**	**HKD2.59**	**640,000**	**HKD1.77**	**16,552,000**	**18,492,000**
Currently exercisable At 31 December 2020	**HKD4.31**	**160,000**	**HKD6.86**	**340,000**	**HKD5.50**	**800,000**	**HKD2.59**	**640,000**	**HKD1.77**	**12,414,000**	**14,354,000**

21 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(ii) The number and weighted average exercise prices of share options are as follows: (continued)

The options of Post-IPO 1st tranche had lapsed at 16 September 2017.

The options of Post-IPO 2nd tranche had lapsed at 1 July 2018.

The options of Post-IPO 3rd tranche had lapsed at 21 November 2018.

The options of Post-IPO 4th tranche had lapsed at 5 December 2018.

The options of Post-IPO 5th tranche had lapsed at 29 August 2019.

The options of Post-IPO 6th tranche had lapsed at 9 January 2020.

The options of Post-IPO 7th tranche had lapsed at 11 September 2020.

The options of Post-IPO 8th tranche outstanding as at 31 December 2020 had an exercise price of HKD4.31 per share and a weighted average remaining contractual life of 0.28 years.

The options of Post-IPO 9th tranche outstanding as at 31 December 2020 had an exercise price of HKD6.86 per share and a weighted average remaining contractual life of 0.55 years.

The options of Post-IPO 10th tranche outstanding as at 31 December 2020 had an exercise price of HKD5.50 per share and a weighted average remaining contractual life of 1.69 years.

The options of Post-IPO 11th tranche outstanding as at 31 December 2020 had an exercise price of HKD2.59 per share and a weighted average remaining contractual life of 2.7 years.

The options of Post-IPO 12th tranche outstanding as at 31 December 2020 had an exercise price of HKD1.77 per share and a weighted average remaining contractual life of 4.67 years.

21 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on a binominal lattice model, with following input:

	Date of grant	Share Price at grant date	Exercise price	Expected volatility	Option life (expressed as weighted average life)	Expected dividends	Risk-free interest rate
Post-IPO 1st tranche	17 September 2009	HKD1.49	HKD1.49	43.77%	8 years	2.49%	2.16%
Post-IPO 2nd tranche	2 July 2010	HKD1.74	HKD1.84	46.17%	8 years	1.61%	2.09%
Post-IPO 3rd tranche	22 November 2010	HKD2.82	HKD2.82	45.72%	8 years	1.30%	2.02%
Post-IPO 4th tranche	6 December 2010	HKD2.88	HKD2.88	45.70%	8 years	1.30%	2.16%
Post-IPO 5th tranche	29 August 2011	HKD2.60	HKD2.62	41.47%	8 years	2.94%	1.74%
Post-IPO 6th tranche	9 January 2012	HKD2.36	HKD2.36	42.58%	8 years	5.37%	1.52%
Post-IPO 7th tranche	11 September 2012	HKD3.22	HKD3.22	43.51%	8 years	4.96%	0.66%
Post-IPO 8th tranche	12 April 2013	HKD4.31	HKD4.31	44.58%	8 years	5.33%	0.95%
Post-IPO 9th tranche	19 July 2013	HKD6.68	HKD6.86	45.82%	8 years	3.94%	2.20%
Post-IPO 10th tranche	10 September 2014	HKD5.40	HKD5.50	55.13%	8 years	6.00%	1.98%
Post-IPO 11th tranche	15 September 2015	HKD2.52	HKD2.59	56.48%	8 years	10.00%	1.43%
Post-IPO 12th tranche	30 August 2017	HKD1.74	HKD1.77	46.60%	8 years	6.62%	1.34%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected change to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options are granted mainly under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There was no market condition associated with the share option grants.

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position

	Note	2020 RMB'000	2019 RMB'000
Income tax			
Balance at the beginning of the year		**29,300**	37,508
Provision for the year	*6(a)*	**47,748**	18,836
Under/(over)-provision in respect of prior years	*6(a)*	**26**	(5)
Effect of change on tax rate	*6(a)*	**(5,234)**	—
Tax paid		**(30,486)**	(27,039)
Exchange adjustment		**(144)**	—
Balance of tax provision at the end of the year		**41,210**	29,300

(b) Deferred tax assets and liabilities recognised

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

Deferred tax arising from

	Net unrealised gains RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2019	—	—	—
Charged to profit or loss	5,645	—	5,645
Exchange adjustment	63	—	63
At 31 December 2019	5,708	—	5,708
At 1 January 2020	**5,708**	**—**	**5,708**
Charged to profit or loss	**4,734**	**4,985**	**9,719**
Exchange adjustment	**(493)**	**—**	**(493)**
At 31 December 2020	**9,949**	**4,985**	**14,934**

(c) Deferred tax assets not recognised

In accordance with the accounting policies set out in note 1(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses and temporary differences of RMB207,733 thousand (2019: RMB149,295 thousand) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities. The cumulative tax losses comprised tax losses arose from various years, and each year's tax loss can be carried forward pursuant to the local rules and regulations.

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(d) Deferred tax liabilities not recognised

As at 31 December 2020, temporary differences relating to the undistributed retained earnings of PRC subsidiaries amounted to RMB1,011,850 thousand (2019: RMB1,170,837 thousand). Deferred tax liability of RMB50,441 thousand (2019: RMB116,732 thousand) have not been recognised in respect of the tax that would be payable on the distribution of these retained earnings as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that those retained earnings are not likely to be distributed in the foreseeable future.

23 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:

	Share capital *RMB'000* *(note 23(c))*	Capital reserve *RMB'000* *(note 23(d))*	Translation reserve *RMB'000* *(note 23(d))*	Retained Profits *RMB'000* *(note 23(d))*	Total *RMB'000*
Balance at 1 January 2019	510,981	28,567	(5,234)	(45,363)	488,951
Changes in equity for 2019					
Total comprehensive income for the year	—	—	11,081	15,997	27,078
Equity-settled share-based transactions *(note 21)*	—	1,772	—	—	1,772
Purchase of own shares	—	—	—	(8,913)	(8,913)
Dividends to equity shareholders of Company *(note 23(b))*	—	—	—	(34,170)	(34,170)
Balance at 31 December 2019 and 1 January 2020	**510,981**	**30,339**	**5,847**	**(72,449)**	**474,718**
Changes in equity for 2020					
Total comprehensive income for the year	**—**	**—**	**(34,810)**	**251,707**	**216,897**
Equity-settled share-based transactions *(note 21)*	**—**	**872**	**—**	**—**	**872**
Purchase of own shares	**—**	**—**	**—**	**(18,125)**	**(18,125)**
Dividends to equity shareholders of Company *(note 23(b))*	**—**	**—**	**—**	**(10,702)**	**(10,702)**
Balance at 31 December 2020	**510,981**	**31,211**	**(28,963)**	**150,431**	**663,660**

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2020 RMB'000	2019 RMB'000
Final dividend proposed after the end of the reporting period of HKD9.00 cents (equivalent to approximately RMB7.55 cents) (2019: HKD2.41 cents (equivalent to approximately RMB2.15 cents) per share	**35,216**	10,550

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period as it has not been approved by shareholders.

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

	2020 RMB'000	2019 RMB'000
Dividends approved and paid to equity shareholders of the Company during the year	**10,702**	34,170

(c) Share capital

(i) Issued share capital

	2020		2019	
	No. of ordinary shares	HKD	No. of ordinary shares	HKD
Ordinary shares, issued and fully paid:				
At 1 January	**490,712,370**	**581,930,830**	496,613,370	581,930,830
Shares repurchased and cancelled	**(22,145,000)**	**—**	(5,901,000)	—
At 31 December	**468,567,370**	**581,930,830**	490,712,370	581,930,830
RMB equivalent		**510,981,107**		510,981,107

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(ii) Purchase of own shares

During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of Shares repurchased	Highest price paid per share *HKD*	Lowest price paid per share *HKD*	Aggregate price paid *HKD'000*	Equivalent to *RMB'000*
April 2020	3,201,000	0.95	0.91	3,003	2,735
May 2020	278,000	0.95	0.95	269	247
June 2020	3,644,000	0.95	0.91	3,447	3,149
July 2020	4,180,000	0.95	0.90	3,883	3,498
September 2020	5,001,000	0.93	0.90	4,597	4,039
October 2020	1,672,000	0.90	0.88	1,496	1,298
November 2020	4,169,000	0.89	0.84	3,572	3,032
December 2020	168,000	0.87	0.86	152	127
	22,313,000			20,419	18,125

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HKD20,419 thousand (equivalent to approximately RMB18,125 thousand) was paid wholly out of retained profits.

(iii) Shares issued under share option scheme

Each option entitles the holder to subscribe for one ordinary share of the Company. In the year of 2020, no options were exercised to subscribe for ordinary shares of the Company. Further details of these options are set out in note 21 to the financial statements.

At 31 December 2020, there were 18,492,000 unexercised post-IPO share options (2019: 20,912,000).

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve comprises the contribution from non-controlling interests and the portion of the grant date fair value of unexercised share options granted to employees of the Group and directors of the Company that has been recognised in accordance with the accounting policy adopted for equity-settled share-based transactions in note 1(t)(ii).

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(ii) Statutory reserve

Pursuant to applicable PRC regulations, certain PRC subsidiaries are required to transfer 10% of their profit after income tax (after offsetting prior year's losses, if applicable) to statutory reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to equity holders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iii) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements presented in any currencies other than RMB which are dealt with in accordance with the accounting policies as set out in note 1(x).

(iv) Other reserves

Other reserves comprises the difference between the carrying amount of the net assets received and the consideration paid, as a result of the reorganisation during which the Company acquired subsidiaries from the ultimate controlling shareholders of the Group in 2006 and 2007.

(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 shareholders 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.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables

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 and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 1.10% (2019: 5.37%) and 1.10% (2019: 17.12%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's exposure to credit risk arising from some customers has expanded, trade receivables of RMB126,751 thousand was impaired, of which RMB36,500 thousand was impaired in 2020.

Apart from above situations, 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.

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and bills receivable:

	2020		
	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Collectively evaluated customers			
Current (not past due)	**0.76%**	**57,830**	**(441)**
0–3 months past due	**1.71%**	**16,774**	**(288)**
3–9 months past due	**3.93%**	**8,023**	**(403)**
9–21 months past due	**16.39%**	**122**	**(20)**
21–33 months past due	**45.12%**	**82**	**(37)**
More than 33 months past due	**100.00%**	**8,747**	**(8,747)**
		91,578	**(9,936)**
Individually evaluated customers	**100.00%**	**116,815**	**(116,815)**
Bills receivable	**0%**	**1,055**	**—**
		209,448	**(126,751)**

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables (continued)

	2019		
	Expected loss rate *%*	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Collectively evaluated customers			
Current (not past due)	0.46%	88,654	(410)
0–3 months past due	1.19%	17,661	(210)
3–9 months past due	2.28%	2,461	(56)
9–21 months past due	8.42%	21,519	(1,812)
21–33 months past due	28.87%	17,493	(5,051)
More than 33 months past due	100.00%	9,259	(9,259)
		157,047	(16,798)
Individually evaluated customers	100.00%	81,367	(81,367)
Bills receivable	0%	7,000	—
		245,414	(98,165)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade and bills receivables during the year is as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Balance at 1 January	**98,165**	90,601
Impairment losses recognised during the year	**36,500**	7,564
Amounts arise from written off the subsidiaries	**(7,914)**	—
Balance at 31 December	**126,751**	98,165

The following significant changes in the gross carrying amounts of trade and bills receivables contributed to the increase in the loss allowance during 2020:

— increase in amounts past due resulted in an increase in loss allowance of RMB36,500 thousand.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(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. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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 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 less than 2 years** *RMB'000*	**2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount** *RMB'000*
Lease liabilities	**1,280**	**1,334**	**1,241**	**–**	**3,855**	**3,580**
Trade and other payables	**92,189**	**–**	**–**	**–**	**92,189**	**92,189**

	2019 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Lease liabilities	1,201	–	–	–	1,201	1,201
Trade and other payables	169,132	–	–	–	169,132	169,132

(c) Currency risk

The Group is exposed to currency risk primarily through trade and other receivables, trade and other 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 Hong Kong dollars, United States dollars, and Singapore dollars.

(i) Hedges of foreign currency risk in forecast transactions

The Group did not hedge its foreign currency exposure other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Currency risk (continued)

(ii) Recognised assets and liabilities

In respect of trade and other receivables, trade and other payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(iii) Exposure to currency risk

The following table details the Group's exposure at the end of 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 foreign operations into the Group's presentation currency are excluded.

	2020 ***RMB'000***	2019 *RMB'000*
Trade and other receivables		
— in HKD	**212**	229
— in SGD	**79**	77
Cash and cash equivalents		
— in USD	**970**	143
— in EUR	**—**	31
— in AUD	**6**	1
— in SGD	**7,936**	1,318
— in HKD	**202,245**	75,559
— in CAD	**3,479**	470
— in CHF	**174**	23
Trade and other payables		
— in HKD	**(5,406)**	(573)
— in SGD	**(77)**	(68)
Gross exposure	**209,618**	77,210

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Currency risk (continued)

(iii) Exposure to currency risk (continued)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	**2020**	2019
HKD	**0.8687**	0.8860	**0.8416**	0.8958
USD	**6.7506**	6.9197	**6.5249**	6.9762
AUD	**4.9503**	4.8546	**5.0163**	4.8843
EUR	**7.9202**	7.8314	**8.0250**	7.8155
SGD	**5.0527**	5.0901	**4.9314**	5.1739
CAD	**5.2291**	5.1901	**5.1161**	5.3421
CHF	**7.3017**	7.0761	**7.4006**	7.2028

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2020		2019	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained earnings**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
USD	**10%**	**97**	10%	14
	-10%	**(97)**	-10%	(14)
AUD	**10%**	**1**	10%	—
	-10%	**(1)**	-10%	—
EUR	**10%**	**—**	10%	3
	-10%	**—**	-10%	(3)
HKD	**10%**	**19,705**	10%	7,522
	-10%	**(19,705)**	-10%	(7,522)
SGD	**10%**	**794**	10%	133
	-10%	**(794)**	-10%	(133)
CAD	**10%**	**348**	10%	47
	-10%	**(348)**	-10%	(47)
CHF	**10%**	**17**	10%	2
	-10%	**(17)**	-10%	(2)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Currency risk (continued)

(iv) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax 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 reporting period, including inter-group 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 excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2019.

(d) 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/HKFRS 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.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

The Group	Fair value at 31 December 2020 *RMB'000*	Fair value measurement as at 31 December 2020 categorised into Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*
Asset				
Listed securities	**81,425**	**81,425**	**–**	**–**
Equity securities not held for trading	**122,000**	**–**	**–**	**122,000**

The Group	Fair value at 31 December 2019 *RMB'000*	Fair value measurement as at 31 December 2019 categorised into Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*
Asset				
Listed securities	73,172	73,172	–	–
Other derivative assets	2,000	–	–	2,000
Equity securities not held for trading	122,200	–	–	122,200

During the year ended 2020 and 2019, there were no transfer between instruments in Level 1 and Level 2, or transfer into or out of Level 3.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2020 and 2019.

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	**6,844**	9,183
Equity-settled share-based transactions	**235**	596
	7,079	9,779

Total remuneration is included in "Staff cost" (see note 5(b)).

(b) Transactions with related parties

	Note	2020 RMB'000	2019 RMB'000
Rental of office	*(i)*	**722**	722
Service provided to an associate	*(ii)*	**20,788**	13,604
Service provided by an associate		**72**	—

Notes:

(i) CTV Golden Bridge International Media Group Company Limited, a subsidiary of the Group, rented an office from Shanghai CTV Golden Bridge International Culture and Communication Group Limited, which was effectively controlled by the ultimate controlling shareholder of the Group for the period from 1 January 2020 to 31 December 2020 at a price of RMB722 thousand per annum. The amount of rent charged under the lease was determined with reference to amounts charged by Shanghai CTV Golden Bridge International Culture and Communication Group Limited to third parties.

(i) Beijing Golden Bridge Document Time International Media Company Limited is an associate of the Group. The Group provided placement of television advertisements to this associate.

(c) Outstanding balance with related parties

	2020 RMB'000	2019 RMB'000
Trade and other receivables		
— Beijing Shiyiyuan Film Company Limited	**106**	2,213
Trade and other payables		
— Beijing Shiyiyuan Film Company Limited	**104**	166

26 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2020 *RMB'000*	2019 *RMB'000*
Non-current assets		
Property, plant and equipment	**1,642**	1,201
Investments in subsidiaries	**258,940**	274,744
Other financial asset	**81,425**	73,172
	342,007	349,117
Current assets		
Trade and other receivables	**106,175**	89,853
Time deposits with original maturity over three months	**53,023**	26,873
Cash and cash equivalents	**201,804**	40,053
	361,002	156,779
Current liabilities		
Trade and other payables	**23,233**	24,269
Current taxation	**4,511**	—
Lease liabilities	**519**	1,201
	28,263	25,470
Net current assets	**332,739**	131,309
Total assets less current liabilities	**674,746**	480,426
Non-current liabilities		
Lease liabilities	**1,137**	—
Deferred tax liabilities	**9,949**	5,708
NET ASSETS	**663,660**	474,718
CAPITAL AND RESERVES		
Share capital	**510,981**	510,981
Reserves	**152,679**	(36,263)
TOTAL EQUITY	**663,660**	474,718

Approved and authorised for issue by the board of directors on 29 March 2021.

Chen Xin
Chairman

Li Zongzhou
Director

27 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 23(b)(i).

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

Since early 2020, 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 but not limited to reassessing changes (if any) to the customers' preferences on the placement of advertisements, negotiating with customers on the possible delay of advertisements, increasing monitoring of the business environment of the Group's customers, and improving the Group's cash position by expediting debtor settlements and negotiating with suppliers on payment terms. The Group will keep the contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, the COVID-19 pandemic may cause reduction in the number of long-term customers and a decrease in the advertising cycle, but the directors of the Company consider that such impact could be reduced by the Group's expedition of sales upon the cessation of the COVID-19 and/or the reduction of the cost of services. Those impact will be reflected in the financial information for the year ending 31 December 2021, and the actual impact may differ from estimates as the COVID-19 pandemic situation continues to evolve and when further information may become available.

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2020, the directors consider the immediate parent and the ultimate holding Company of the Group to be Golden Bridge International Culture Limited and CLH Holding Limited respectively, both of which are incorporated in Cayman Islands. These two entities do not produce financial statements available for public use.

29 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/HKICPA has issued a number of amendments and a new standard, IFRS/HKFRS 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/HKFRS 9, IAS/HKAS 39, IFRS/HKFRS 7, IFRS/HKFRS 4 and IFRS/HKFRS 16, *Interest Rate Benchmark Reform — Phase 2*	1 January 2021
Amendments to IFRS/HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS/HKAS 16, Property, *Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS/HKAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs/HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to IAS/HKAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
IRFS/HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS/HAS 1 and IFRS/HKFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS/HAS 8, *Definition of Accounting Estimates*	1 January 2023

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.

Five Year Financial Summary

(Expressed in Renminbi)

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Results					
Revenue	**1,175,947**	1,496,813	1,615,704	1,472,698	1,299,289
Profit/(loss) from operations	**125,385**	37,119	101,397	138,441	(31,051)
Net Finance income	**14,182**	14,719	16,617	6,507	5,168
Profit/(loss) before taxation	**139,567**	51,838	118,014	144,948	(25,883)
Income tax	**(52,259)**	(24,476)	(37,085)	(54,662)	(12,020)
Profit/(loss) for the year	**87,308**	27,362	80,929	90,286	(37,903)
Attributable to:					
Equity shareholders of the Company	**87,213**	26,403	82,127	93,042	(27,066)
Non-controlling interests	**95**	959	(1,198)	(2,756)	(10,837)
Profit/(loss) for the year	**87,308**	27,362	80,929	90,286	(37,903)
Assets and liabilities					
Property, plant and equipment	**219,620**	224,944	229,738	239,256	246,797
Investment property	**562,511**	580,859	576,684	589,110	603,906
Intangible assets	**5,654**	16,399	22,399	24,902	27,885
Goodwill	**—**	6,002	6,002	6,002	6,002
Interest in associates	**—**	4,362	—	—	—
Trade and other receivables	**—**	1,587	865	865	2,085
Other non-current financial assets	**203,425**	195,172	—	—	—
Net current assets	**647,953**	551,778	753,666	715,303	633,031
Total assets less current liabilities	**1,639,163**	1,581,103	1,589,354	1,575,438	1,519,706
Deferred tax liabilities	**14,934**	5,708	—	—	2,008
Other non-current liabilities	**2,448**	—	—	—	—
NET ASSETS	**1,621,781**	1,575,395	1,589,354	1,575,438	1,519,706
Capital and reserves					
Share capital	**510,981**	510,981	510,981	510,981	510,981
Reserves	**1,117,368**	1,070,462	1,085,380	1,068,777	1,009,974
Total equity attributable to equity shareholders of the Company	**1,628,349**	1,581,443	1,596,361	1,579,758	1,520,955
Non-controlling interests	**(6,568)**	(6,048)	(7,007)	(4,320)	(1,249)
TOTAL EQUITY	**1,621,781**	1,575,395	1,589,354	1,575,438	1,519,706
Earnings/(losses) per share					
Basic earnings/(losses) per share (RMB)	**0.181**	0.054	0.162	0.177	(0.050)
Diluted earnings/(losses) per share (RMB)	**0.181**	0.054	0.162	0.177	(0.050)

SinoMedia®

中視金橋國際傳媒控股有限公司
SinoMedia Holding Limited

(incorporated in Hong Kong with limited liability)

（於香港註冊成立之有限公司）