Starrise Media Holdings Limited
星 宏 傳 媒 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1616)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

SUMMARY

- Revenue from continuing operations was approximately RMB489.2 million, representing a decrease of approximately 1.9% as compared to that of the previous year.
- Gross profit margin from continuing operations was approximately 14.5%, representing a decrease of approximately 12.3 percentage points as compared to that of approximately 26.8% for the previous year.
- Gross profit from continuing operations decreased by approximately RMB62.7 million or approximately 46.9% as compared to that of the last year, to approximately RMB71.0 million.
- Loss for the year for continuing operation was approximately RMB112.4 million representing a decrease in profit of approximately 418.2% as compared to the profit recorded in the previous year.
- Net loss for the year was approximately RMB81.9 million, representing a decrease in net profit of approximately 363.7% as compared to the net profit recorded in the previous year.
- Loss attributable to the equity shareholders of the Company was approximately RMB81.1 million, representing a decrease of approximately 431.0% as compared to the profit attributable to the equity shareholders of the Company recorded in the previous year.

DIVIDEND

- The Board does not recommend the payment of any final dividend for the year ended 31 December 2017.

The board (the "**Board**") of directors (the "**Directors**") of Starrise Media Holdings Limited (the "**Company**") hereby announces the audited consolidated annual financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**Year**" or "**Period under Review**") together with the comparative figures in 2016 as set out below. The consolidated results are audited and have been reviewed by the audit committee ("**Audit Committee**") of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note	**2017** *RMB'000*	2016 *RMB'000* (Restated)
Continuing operations			
Revenue	*3*	**489,158**	498,838
Cost of sales and services		**(418,139)**	(365,123)
Gross profit		**71,019**	133,715
Other net loss	*4*	**(6,698)**	(722)
Distribution costs		**(18,068)**	(11,508)
Administrative expenses		**(75,508)**	(68,672)
(Loss)/profit from operations		**(29,255)**	52,813
Net finance costs	*5(a)*	**(73,738)**	(17,825)
Share of loss of associates		**(5,698)**	(836)
(Loss)/profit before taxation from continuing operations	*5*	**(108,691)**	34,152
Income tax	*6*	**(3,692)**	(2,007)
(Loss)/profit for the year from continuing operations		**(112,383)**	32,145
Discontinued operation			
Profit/(loss) for the year from discontinued operation	*7*	**30,446**	(1,077)
(Loss)/profit and total comprehensive income for the year		**(81,937)**	31,068

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note	**2017**	2016
		RMB'000	*RMB'000*
			(Restated)
Attributable to:			
Equity shareholders of the Company		**(81,119)**	24,525
Non-controlling interests		**(818)**	6,543
(Loss)/profit and total comprehensive income for the year		**(81,937)**	31,068
Basic and diluted (loss)/earnings per share (Express in RMB)	*8*		
– Continuing and discontinued operations		**(0.0776)**	0.0243
– Continuing operations		**(0.1067)**	0.0254
– Discontinued operation		**0.0291**	(0.0011)

Details of dividends payable to equity shareholders of the Company attributable to the loss for the year are set out in note 16.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

(Expressed in Renminbi Yuan)

	Note	**2017** *RMB'000*	2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**389,434**	455,748
Interests in leasehold land held for own use under operating leases		**62,968**	64,281
		452,402	520,029
Intangible assets	*9*	**17**	3,476
Goodwill	*10*	**441,475**	499,471
Interest in associates		**–**	7,459
Investments in equity securities		**1,000**	1,100
Other receivables	*11*	**2,984**	2,647
Deferred tax assets		**912**	1,095
		898,790	1,035,277
Current assets			
Inventories		**131,137**	164,938
Drama series and films		**201,747**	118,892
Trade and other receivables	*11*	**437,267**	228,712
Pledged bank deposits		**32,884**	1,626
Cash and bank		**155,598**	198,037
		958,633	712,205
Current liabilities			
Trade and other payables	*12*	**230,040**	227,313
Bank loans	*13*	**201,250**	195,000
Convertible bonds	*14*	**159,659**	–
Obligations under finance leases		**–**	3,850
Current taxation		**17,820**	14,221
		608,769	440,384

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2017
(Expressed in Renminbi Yuan)

	Note	**2017** *RMB'000*	2016 *RMB'000*
Net current assets		**349,864**	271,821
Total assets less current liabilities		**1,248,654**	1,307,098
Non-current liabilities			
Non-current borrowings	*14*	**229,672**	206,104
Deferred tax liabilities		**1,025**	1,100
		230,697	207,204
Net assets		**1,017,957**	1,099,894
Capital and reserves			
Share capital	*15*	**66,559**	66,559
Reserves		**942,837**	1,023,956
Total equity attributable to equity shareholders of the Company		**1,009,396**	1,090,515
Non-controlling interests		**8,561**	9,379
Total equity		**1,017,957**	1,099,894

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Other reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2016	60,785	348,608	57,599	118,450	300,098	885,540	–	885,540
Changes in equity for 2016:								
Profit and total comprehensive income for the year	–	–	–	–	24,525	24,525	6,543	31,068
Shares issuance	5,774	174,676	–	–	–	180,450	–	180,450
Acquisition of subsidiaries	–	–	–	–	–	–	2,836	2,836
Appropriations to statutory reserve	–	–	7,144	–	(7,144)	–	–	–
Balance at 31 December 2016 and 1 January 2017	**66,559**	**523,284**	**64,743**	**118,450**	**317,479**	**1,090,515**	**9,379**	**1,099,894**
Changes in equity for 2017:								
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(81,119)**	**(81,119)**	**(818)**	**(81,937)**
Appropriations to statutory reserve	**–**	**–**	**1,352**	**–**	**(1,352)**	**–**	**–**	**–**
Balance at 31 December 2017	**66,559**	**523,284**	**66,095**	**118,450**	**235,008**	**1,009,396**	**8,561**	**1,017,957**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note	**2017** *RMB'000*	2016 *RMB'000*
Operating activities			
Cash (used in)/generated from operations		**(157,239)**	91,394
Income tax paid		**(4,736)**	(970)
Net cash (used in)/generated from operating activities		**(161,975)**	90,424
Investing activities			
Acquisition of a subsidiary, net of cash acquired	*17*	**3,446**	1,583
Disposal of subsidiaries, net of cash and cash equivalents disposed of	*7*	**(50,742)**	–
Disposal of an associate		**6,000**	–
Disposal of investments in equity securities		**103**	
Payment for the purchase of property, plant and equipment and leasehold land		**(36,227)**	(42,455)
Decrease/(increase) in fixed bank deposits		**25,000**	(25,000)
Increase in pledged bank deposits		**(22,870)**	–
Proceeds from sale of equipment		**2,465**	283
Payments for advance to third parties		**(22,684)**	(1,522)
Proceeds from repayment of advance to third parties		**200**	3,165
Net proceeds from purchases and sales of available-for-sale investments		**1,477**	1,304
Payment for acquisition of interest in an associate		**–**	(2,000)
Repayment from/(loan to) an associate		**2,000**	(2,000)
Interest received		**252**	371
Net cash used in investing activities		**(91,580)**	(66,271)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	2017	2016
	RMB'000	***RMB'000***
Financing activities		
Capital element of finance lease rental paid	**(3,850)**	(16,942)
Proceeds from bank loans	**246,250**	290,000
Repayment of bank loans	**(214,000)**	(289,500)
Proceeds from shares issuance	**–**	180,450
Repayment of promissory note	**–**	(237,327)
Proceeds from issuance of convertible bonds	**265,740**	172,471
Repayment of advance from third parties	**(15,172)**	(48,560)
Proceeds for advance from third parties	**32,626**	–
Repayment of loans from a non-controlling shareholder	**(8,712)**	–
Interest element of finance lease rental paid	**(31)**	(781)
Other borrowing costs paid	**(62,469)**	(16,426)
Net cash generated from financing activities	**240,382**	33,385
Net (decrease)/increase in cash and cash equivalents	**(13,173)**	57,538
Cash and cash equivalents at 1 January	**173,037**	113,331
Effect of foreign exchange rate change	**(4,266)**	2,168
Cash and cash equivalents at 31 December	**155,598**	173,037

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The consolidated financial statements for the year ended 31 December 2017 comprise the Group and the Group's interest in associates.

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:

– derivative financial instruments.

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

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

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORT

(a) Revenue

The principal activities of the Group are manufacturing and sales of textile products and provision of related processing service, and the production and distribution of drama series and films.

Revenue represents the sales value of goods supplied to customers, income from licensing of drama series and films and income from provision of related service (net of sales tax, value-added tax and discounts).

As disclosed in note 7, the revenue generated by the disposed subgroup of textile segment is presented as discontinued operation. The amount of each significant category of revenue from continuing operations and discontinued operation recognised is as follows:

	Continuing operations		**Discontinued operation**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
Sales of textile products	**383,375**	361,970	**249,216**	284,107	**632,591**	646,077
Licensing of drama series and films	**40,348**	86,467	**–**	–	**40,348**	86,467
Provision of textile products processing service	**28,654**	16,557	**22,450**	28,379	**51,104**	44,936
Provision of drama series and films production, distribution and related services	**36,781**	33,844	**–**	–	**36,781**	33,844
	489,158	498,838	**271,666**	312,486	**760,824**	811,324

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenues for the year ended 31 December 2017 (2016: Nil).

Further details regarding the Group's principal activities are disclosed below.

3 REVENUE AND SEGMENT REPORT (Continued)

(b) Segment reporting

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

- Textile: this segment manufactures and sells textile products, and provision of related processing service. Currently the Group's activities in this segment are carried out in the People's Republic of China ("the PRC").

  The Group disposed a subgroup of textile segment which is principally manufactures and sells dobby grey fabrics on 5 November 2017. The results of the disposal subgroup of textile segment for the period from 1 January 2017 to 5 November 2017 was classified as discontinued operations accordingly. The discontinued operations have resulted in a change in the Group's structure and therefore its composition of reporting segment. The comparative figures of segment disclosure have been represented to conform to current year presentation.

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

(i) Segment results, assets and liabilities

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

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

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

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

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

3 REVENUE AND SEGMENT REPORT (Continued)

(b) Segment reporting (Continued)

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

	Continuing operations				Discontinued operation			
	Textile		Media		Textile		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**412,029**	378,527	**77,129**	120,311	**271,666**	312,486	**760,824**	811,324
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**412,029**	378,527	**77,129**	120,311	**271,666**	312,486	**760,824**	811,324
Reportable segment result (adjusted profit/(loss) before taxes)	**8,523**	159	**(10,013)**	42,031	**35,065**	102	**33,575**	42,292
Interest income on bank deposits	**126**	219	**21**	25	**105**	127	**252**	371
Interest expenses	**4,924**	8,813	**5,092**	1,987	**3,881**	1,867	**13,897**	12,667
Depreciation and amortisation for the year	**41,607**	41,155	**4,568**	4,154	**14,889**	17,641	**61,064**	62,950
Net impairment of trade and other receivables	**2,130**	(30)	**1,435**	778	**(1,705)**	987	**1,860**	1,735
Impairment of associates	**–**	–	**–**	998	**–**	–	**–**	998
Reportable segment assets	**710,563**	558,998	**1,031,688**	764,805	**–**	360,458	**1,742,251**	1,684,261
Interest in associates	**–**	–	**–**	7,459	**–**	–	**–**	7,459
Additions to non-current segment assets during the year	**35,214**	34,800	**528**	3,389	**–**	810	**35,742**	38,999
Reportable segment liabilities	**251,988**	95,984	**190,998**	135,794	**–**	226,733	**442,986**	458,511

3 REVENUE AND SEGMENT REPORT (Continued)

(b) Segment reporting (Continued)

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

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)
Revenue						
Reportable segment revenue	**489,158**	498,838	**271,666**	312,486	**760,824**	811,324
Elimination of inter-segment revenue	**–**	–	**–**	–	**–**	–
Consolidated revenue	**489,158**	498,838	**271,666**	312,486	**760,824**	811,324
(Loss)/Profit						
Reportable segment (loss)/profit	**(1,490)**	42,190	**35,065**	102	**33,575**	42,292
Elimination of inter-segment profits	**–**	–	**–**	–	**–**	–
Reportable segment (loss)/profit derived from the Group's external customers	**(1,490)**	42,190	**35,065**	102	**33,575**	42,292
Interest on convertible bonds	**(68,149)**	(6,324)	**–**	–	**(68,149)**	(6,324)
Change in fair value of derivatives embedded in convertible bonds	**56,315**	(6,408)	**–**	–	**56,315**	(6,408)
Impairment of goodwill	**(76,444)**	–	**–**	–	**(76,444)**	–
Unallocated head office and corporate expenses (net)	**(18,923)**	4,694	**–**	–	**(18,923)**	4,694
Consolidated (loss)/ profit before taxation	**(108,691)**	34,152	**35,065**	102	**(73,626)**	34,254

3 REVENUE AND SEGMENT REPORT (Continued)

(b) Segment reporting (Continued)

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

	2017	2016
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**1,742,251**	1,684,261
Elimination of inter-segment receivables	**(1,100)**	(1,100)
	1,741,151	1,683,161
Unallocated head office and corporate assets	**116,272**	64,321
Consolidated total assets	**1,857,423**	1,747,482
Liabilities		
Reportable segment liabilities	**442,986**	458,511
Elimination of inter-segment payables	**(1,100)**	(1,100)
	441,886	457,411
Unallocated head office and corporate liabilities	**397,581**	190,177
Consolidated total liabilities	**839,467**	647,588

(iii) Geographic information

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

	Continuing operations		**Discontinued operation**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)
The PRC	**442,490**	440,744	**271,666**	312,486	**714,156**	753,230
Overseas	**46,668**	58,094	**–**	–	**46,668**	58,094
	489,158	498,838	**271,666**	312,486	**760,824**	811,324

4 OTHER NET (LOSS)/GAIN

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)
Change in fair value of derivatives embedded in convertible bonds	**56,315**	(6,408)	**–**	–	**56,315**	(6,408)
Gain on disposal of an associate	**10,239**	–	**–**	–	**10,239**	–
Impairment of goodwill	**(76,444)**	–	**–**	–	**(76,444)**	–
Net gain on sale of raw materials and scrap materials	**249**	4,210	**–**	(308)	**249**	3,902
Net loss on disposal of equipment	**(783)**	(3,235)	**–**	(18)	**(783)**	(3,253)
Government grants	**4,094**	1,812	**60**	314	**4,154**	2,126
Net gain from short-term investments	**1,143**	871	**334**	433	**1,477**	1,304
Others	**(1,511)**	2,028	**(100)**	2	**(1,611)**	2,030
	(6,698)	(722)	**294**	423	**(6,404)**	(299)

5 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)
Interest on bank loans and other borrowings	**10,016**	10,773	**3,881**	1,867	**13,897**	12,640
Interest on convertible bonds	**68,149**	6,324	**–**	–	**68,149**	6,324
Net foreign exchange (gain)/loss	**(4,877)**	(904)	**(11)**	6,076	**(4,888)**	5,172
Finance charges on obligations under finance leases	**31**	781	**–**	–	**31**	781
Interest income on bank deposits	**(147)**	(244)	**(105)**	(127)	**(252)**	(371)
Other finance charges	**566**	1,095	**32**	27	**598**	1,122
	73,738	17,825	**3,797**	7,843	**77,535**	25,668

5 **(LOSS)/PROFIT BEFORE TAXATION (Continued)**

(b) Staff costs

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)
Salaries, wages and other benefits	**86,590**	88,001	**30,535**	33,694	**117,125**	121,695
Contributions to defined contribution retirement plan	**4,162**	3,000	**993**	988	**5,155**	3,988
	90,752	91,001	**31,528**	34,682	**122,280**	125,683

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organised by the relevant local authorities whereby the Group is required to make contributions to the Schemes at certain percentages of the eligible employees' salaries for the years ended 31 December 2017 and 2016. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

5 (LOSS)/PROFIT BEFORE TAXATION (Continued)

(c) Other items

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
Depreciation	**41,327**	40,429	**14,883**	17,635	**56,210**	58,064
Amortisation						
– leasehold land	**1,402**	1,351	**–**	–	**1,402**	1,351
– intangible assets	**3,446**	3,529	**6**	6	**3,452**	3,535
Operating lease charges: minimum lease payments for properties	**5,467**	4,522	**–**	–	**5,467**	4,522
Impairment of goodwill	**76,444**	–	**–**	–	**76,444**	–
Impairment losses on interest in associates	**–**	998	**–**	–	**–**	998
Impairment losses on trade and other receivables	**3,565**	1,088	**160**	987	**3,725**	2,075
Reversal of impairment losses on trade and other receivables	**–**	(340)	**(1,865)**	–	**(1,865)**	(340)
Impairment losses on drama series and films	**7,000**	–	**–**	–	**7,000**	–
Impairment losses on inventories	**692**	–	**–**	–	**692**	–
Gain on disposal of an associate	**(10,239)**	–	**–**	–	**(10,239)**	–
Auditors' remuneration						
– audit services	**2,200**	2,200	**–**	–	**2,200**	2,200
– other services	**500**	500	**–**	–	**500**	500
Cost of inventories	**343,350**	298,111	**224,093**	270,067	**567,443**	568,178
Cost of drama series and films	**47,646**	47,601	**–**	–	**47,646**	47,601

6 INCOME TAX

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

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)
Current tax						
Provision for the year	**3,509**	972	**4,619**	1,104	**8,128**	2,076
Deferred tax						
Origination and reversal of temporary differences	**183**	1,035	**–**	75	**183**	1,110
	3,692	2,007	**4,619**	1,179	**8,311**	3,186

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

(ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the years ended 31 December 2017 and 2016, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

(iii) For the year ended 31 December 2017, the Group's PRC subsidiaries are subject to income tax rate of 25% (2016: 25%).

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

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

6 INCOME TAX (Continued)

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

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)
(Loss)/profit before taxation	**(108,691)**	34,152	**35,065**	102	**(73,626)**	34,254
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned	**(28,495)**	11,354	**3,590**	(1,077)	**(24,905)**	10,277
Tax effect of tax benefits	**(509)**	(1,088)	**(1,179)**	(695)	**(1,688)**	(1,783)
Tax effect of non-deductible expenses	**28,934**	2,991	**527**	2,951	**29,461**	5,942
Tax effect of unused tax losses not recognised	**6,201**	2,658	**72**	–	**6,273**	2,658
Statutory tax concession	**(2,085)**	(15,304)	**–**	–	**(2,085)**	(15,304)
PRC dividend withholding tax	**–**	1,100	**2,200**	–	**2,200**	1,100
Others	**(354)**	**296**	**(591)**	–	**(945)**	**296**
Income tax expense	**3,692**	2,007	**4,619**	1,179	**8,311**	3,186

7 DISCONTINUED OPERATION

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

The Disposal Group is principally engaged in manufacture and sale of dobby grey fabrics. The consolidated results of the Disposal Group for the period from 1 January 2017 to 5 November 2017 have been presented as discontinued operations in the consolidated financial statements in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and the comparative figures of the consolidated statement of profit or loss and other comprehensive income and corresponding notes have been restated to show the discontinued operations separately from continuing operations.

7 DISCONTINUED OPERATION (Continued)

(a) Results of discontinued operation:

	Note	2017 RMB'000	2016 RMB'000
Revenue	*3*	**271,666**	312,486
Cost of sales and services		**(243,971)**	(282,448)
Gross profit		**27,695**	30,038
Other net gain	*4*	**294**	423
Distribution costs		**(6,018)**	(5,133)
Administrative expenses		**(15,030)**	(17,383)
Profit from operation		**6,941**	7,945
Net finance costs	*5(a)*	**(3,797)**	(7,843)
Profit before taxation		**3,144**	102
Income tax		**(1,590)**	(1,179)
Profit/(loss) for the period/year		**1,554**	(1,077)
Gain on sale of discontinued operation		**31,921**	-
Income tax on gain on sale of discontinued operation		**(3,029)**	-
		30,446	(1,077)

(b) Cash flows generated from discontinued operations:

	2017 RMB'000	2016 RMB'000
Net cash used in operating activities	**(14,471)**	(8,420)
Net cash used in investing activities	**(78)**	(787)
Net cash generated from financing activities	**25,820**	38,807
Net cash inflow	**11,271**	29,600

7 DISCONTINUED OPERATION (Continued)

(c) Net assets disposed of as at the disposal date:

	As at the date of the disposal *RMB'000*
Property, plant and equipment	42,566
Intangible assets	7
Inventories	40,208
Trade and other receivables	55,562
Pledged bank deposits	1,531
Cash and cash equivalents	79,782
Trade and other payables	(69,965)
Bank loans	(36,000)
Current taxation	(337)
Deferred tax liabilities	(75)
Net asset and liabilities	113,279
Cash consideration	145,200
Net assets disposed of	(113,279)
Gain on disposal of subsidiaries	31,921
Cash flows	
Consideration received, satisfied in cash *(note)*	29,040
Cash and cash equivalents disposed of	(79,782)
Net cash outflow	(50,742)

Note: As at 31 December 2017, the outstanding portion of the disposed consideration amounted to RMB116,160,000, of which was settled in February and March 2018 respectively.

8 (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2017 is based on the following (loss)/profit attributable to equity shareholders of the Company and the weighted average number of ordinary shares, calculated as follows:

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

	2017 ***RMB'000***	2016 *RMB'000*
– From continuing operations	**(111,565)**	25,602
– From a discontinued operation *(note 7)*	**30,446**	(1,077)
	(81,119)	24,525

8 (LOSS)/EARNINGS PER SHARE (Continued)

(b) Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares at 1 January	**1,045,749,656**	957,644,656
Effect of shares issuance *(note 15)*	**–**	50,207,781
Weighted average number of ordinary shares at 31 December	**1,045,749,656**	1,007,852,437

For the years ended 31 December 2017 and 2016, no adjustment is made in relation to the Company's outstanding convertible bonds as their assumed conversion would decrease the loss per share or increase the earnings per share.

9 INTANGIBLE ASSETS

	Non-competition agreement *RMB'000*	**Patents and trademarks** *RMB'000*	**Computer software** *RMB'000*	**Total** *RMB'000*
Cost:				
At 1 January 2016	7,000	50	246	7,296
Acquisition	–	–	37	37
At 31 December 2016	7,000	50	283	7,333
At 1 January 2017	7,000	50	283	7,333
Disposal of subsidiaries	–	–	(51)	(51)
At 31 December 2017	**7,000**	**50**	**232**	**7,282**
Accumulated amortisation:				
At 1 January 2016	(78)	(50)	(194)	(322)
Charge for the year	(3,500)	–	(35)	(3,535)
At 31 December 2016	(3,578)	(50)	(229)	(3,857)
At 1 January 2017	(3,578)	(50)	(229)	(3,857)
Charge for the year	(3,422)	–	(30)	(3,452)
Disposal of subsidiaries	–	–	44	44
At 31 December 2017	**(7,000)**	**(50)**	**(215)**	**(7,265)**
Net book value:				
At 31 December 2017	**–**	**–**	**17**	**17**
At 31 December 2016	3,422	–	54	3,476

9 INTANGIBLE ASSETS (Continued)

(i) The non-competition agreement represents a contract with restrictive covenants under which Mr. Meng Fanyao, who is a drama series and films producer in the PRC and a member of key management, agrees not to take any role or engage business in competition against Beijing Huasheng Taitong Media Investment Co., Ltd., a subsidiary of the Company, for a time period of two years after his termination or resignation. The directors expect that the non-competition agreement will generate benefits for the Group in future and therefore identified it as an intangible asset.

(ii) The amortisation charge for the year is included in "cost of sales" in the consolidated statement of profit or loss.

10 GOODWILL

	2017	2016
	RMB'000	*RMB'000*
Cost:		
At 1 January	**499,471**	437,290
Additions	**18,448**	62,181
At 31 December	**517,919**	499,471
Accumulated impairment losses:		
At 1 January	**–**	–
Impairment loss	**(76,444)**	–
At 31 December	**(76,444)**	–
Carrying amount:		
At 1 January	**499,471**	437,290
At 31 December	**441,475**	499,471

Impairment tests for cash-generating units containing goodwill

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

	2017	2016
	RMB'000	*RMB'000*
Television drama series	**354,452**	430,896
Internet drama series and films	**62,181**	62,181
Promotion and advertisement	**18,448**	–
Textile	**6,394**	6,394
At 31 December	**441,475**	499,471

10 GOODWILL (Continued)

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

The recoverable amount of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2016: 3%) for all businesses. The growth rates used do not exceed the long-term average growth rates for the business in which the CGUs operate. The cash flows are discounted using a discount rate of 21% (2016: 22%) for the television drama series business, 21% (2016: 23%) for the internet drama series and films business, 30% for the promotion and advertisement business and 13% (2016: 11%) for the textile business. The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

The impairment loss recognised during the year solely relates to the television drama series business. As the CGUs has been reduced to its recoverable amount of RMB388,030,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

11 TRADE AND OTHER RECEIVABLES

	Note	**2017** **_RMB'000_**	2016 *RMB'000*
Trade debtors and bills receivable		**108,533**	128,932
Less: allowance for doubtful debts	*(b)*	**(3,221)**	(8,819)
	(a) (c)	**105,312**	120,113
Deposits, prepayments and other receivables	*(d)*	**325,393**	100,218
Amount due from an associate	*19(b)*	**9,546**	9,028
Loans to an associate	*19(b)*	**–**	2,000
		440,251	231,359
Other receivables expected to be collected or recognised as expense after more than one year		**(2,984)**	(2,647)
Trade and other receivables expected to be recovered or recognised as expense within one year		**437,267**	228,712

11 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis

Included in trade and other receivables are trade debtors and bills receivables (net of allowance for doubtful debts) with the following ageing analysis as at the end of the reporting period.

	2017	2016
	RMB'000	*RMB'000*
Current	**61,085**	109,350
Less than 3 months past due	**7,081**	1,032
3 to 6 months past due	**4,179**	5,906
6 to 12 months past due	**32,967**	3,825
Amounts past due	**44,227**	10,763
	105,312	120,113

Trade debtors and bills receivables are due within 1 to 6 months from the date of billing.

(b) Impairment of trade debtors and bills receivables

Impairment losses in respect of trade debtors and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivables directly.

The movement in the allowance of doubtful debts during the year is as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**(8,819)**	(7,320)
Impairment loss recognised	**(3,051)**	(1,700)
Impairment loss reversed	**2,206**	–
Uncollectible amounts written off	**–**	201
Disposal of subsidiaries	**6,443**	–
At 31 December	**(3,221)**	(8,819)

As at 31 December 2017, the Group's trade debtors of RMB2,439,000 (2016: RMB8,617,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the whole amount of the receivables is expected to be unrecoverable. Consequently, specific allowances for doubtful debts of RMB2,439,000 (2016: RMB8,617,000) was recognised.

11 TRADE AND OTHER RECEIVABLES (Continued)

(c) Trade debtors and bills receivables that are not impaired

The ageing analysis of trade debtors and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**61,085**	109,350
Less than 3 months past due	**5,964**	795
3 to 6 months past due	**–**	–
6 to 12 months past due	**527**	76
	67,576	110,221

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Deposits, prepayments and other receivables

	2017	2016
	RMB'000	*RMB'000*
Prepayments and advances relating to drama series and films	**138,660**	37,053
Prepayments relating to purchases of raw materials	**26,536**	40,450
Other receivables relating to disposal of subsidiaries *(note(i))*	**116,160**	–
Other receivables relating to disposal of an associate *(note(ii))*	**6,000**	–
Advances to third parties *(note(iii))*	**24,006**	1,522
Deferred expenses	**3,388**	4,502
Value-added tax recoverable	**1,742**	9,195
Prepayments relating to purchases of property, plant and equipment	**145**	758
Others	**8,756**	6,738
	325,393	100,218

Note (i): The balance represents the outstanding portion of consideration for the disposal of equity interests in Swift Power Limited and its subsidiaries, which was settled in February 2018 and March 2018 respectively.

Note (ii): The balance represents the consideration receivable for the disposal of an associate, which was subsequently settled in January 2018.

Note (iii): Included in advances to third parties as at 31 December 2017 is an advance of RMB17,793,000 (2016: RMB Nil) which is unsecured, interest-bearing at 8% per annum and repayable within one year. Other advances to third parties are unsecured, interest-free and repayable on demand.

12 TRADE AND OTHER PAYABLES

	Note	2017	2016
		RMB'000	*RMB'000*
Trade creditors and bills payable	*(a)*	**36,458**	100,575
Receipts in advance		**42,921**	24,231
Other creditors and accrued charges	*(b)*	**150,661**	102,507
		230,040	227,313

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

(a) Ageing analysis

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	2017	2016
	RMB'000	*RMB'000*
Due within 3 months or on demand	**26,041**	89,405
Due after 3 months but within 6 months	**7,176**	7,227
Due after 6 months but within 12 months	**3,241**	3,943
	36,458	100,575

(b) Other creditors and accrued charges

	Note	2017	2016
		RMB'000	*RMB'000*
Advances from third parties *(note(i))*		**32,626**	15,172
Payables relating to acquisition of a subsidiary *(note(ii))*		**30,000**	–
Payables relating to drama series and films		**24,618**	16,554
Tax payable other than income tax		**21,297**	24,332
Accrued charges		**17,865**	16,071
Payables relating to purchases of property, plant and equipment		**9,801**	10,899
Amount due to an associate	*19(b)*	**–**	5,479
Other payables		**14,454**	14,000
		150,661	102,507

Note (i): Included in the advanced from third parties are advance of RMB30,000,000 (2016: RMB nil) from third parties which are unsecured, interest bearing at 8%-15% per annum and repayable within one year. Other advances from third parties are unsecured, interest-free and had no fixed repayment terms or repayable within one year.

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

13 BANK LOANS

As at 31 December 2017, the bank loans were repayable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**201,250**	195,000
After 1 year but within 2 years	**–**	10,000
	201,250	205,000

As at 31 December 2017, the bank loans were secured as follows:

	Note	**2017**	2016
		RMB'000	*RMB'000*
Bank loans			
– secured	*(a)*	**113,250**	80,000
– unsecured	*(b)*	**88,000**	125,000
		201,250	205,000

(a) As at 31 December 2017, the banking facilities of the Group were secured by fixed bank deposits of USD3,500,000 (equivalent to RMB22,870,000) (2016: RMB nil), machinery and equipment with an aggregate carrying value of RMB6,449,000 (2016: RMB28,536,000) and were guaranteed by the Disposal Group, which is expected to be released by the Group within one year. Such banking facilities amounted to RMB113,250,000 (2016: RMB140,000,000). The facilities were utilised to the extent of RMB113,250,000 (2016: RMB80,000,000).

(b) Included in unsecured bank loans at 31 December 2017, RMB78,000,000 (2016: RMB80,000,000) of the loans were guaranteed by the Disposal Group, which is expected to be released by the Group within one year, and RMB10,000,000 (2016: RMB20,000,000) of the loans was guaranteed by the Company.

(c) As at 31 December 2017, there is no financial covenant related to the banking facilities.

14 NON-CURRENT BORROWINGS

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

	2017	2016
	RMB'000	*RMB'000*
Convertible bonds *(note 14(b))*		
– liability component	**387,968**	161,451
– derivative component	**1,363**	25,941
	389,331	187,392
Expected to be settled within one year	**(159,659)**	–
Convertible bonds expected to be settled after more than one year	**229,672**	187,392
Unsecured bank loans *(note 13)*	**–**	10,000
Loans from a non-controlling shareholder	**–**	8,712
	229,672	206,104

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

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

(i) 2016 Convertible bonds

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

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

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

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

Bonds in respect of which conversion rights have not been exercised, will be redeemed at face value on 14 October 2018 or, if agreed to extend by the Company and the bondholders, on 14 October 2019.

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

14 NON-CURRENT BORROWINGS (Continued)

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

(ii) 2017 Convertible bonds

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

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

- Conversion rights are exercisable, wholly or partially, at any time up to maturity, or extended maturity, at the bondholders' option.
- If a bondholder exercises its conversion rights, the Company is required to deliver ordinary shares at the conversion price of HKD1.21 per share, which was adjusted to HKD0.74 per share (subject to further adjustments), after the end of the reporting period.

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

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

15 SHARE CAPITAL

Authorised and issued share capital are as follows:

	2017		2016	
	No. of shares	***RMB'000***	*No. of shares*	*RMB'000*
Authorised:				
Ordinary shares of USD0.01 each	**10,000,000,000**	**632,110**	10,000,000,000	632,110
Ordinary shares, issued and fully paid:				
At 1 January	**1,045,749,656**	**66,559**	957,644,656	60,785
Shares issuance *(note)*	**–**	**–**	88,105,000	5,774
At 31 December	**1,045,749,656**	**66,559**	1,045,749,656	66,559

Note: Pursuant to the share placing agreement entered into between the Company and Guotai Junan, the Company allotted and issued 88,105,000 new shares of USD0.01 each at a placing price of HKD2.50 per share on 7 June 2016. The net proceeds from the share placing were approximately HKD213,654,000 (equivalent to approximately RMB180,450,000).

16 DIVIDENDS

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

	2017	2016
	RMB'000	*RMB'000*
Interim dividend declared and paid of RMB nil per ordinary share (2016: RMB nil)	**–**	–
Final dividend proposed after the end of the reporting period of RMB nil per ordinary share (2016: RMB nil)	**–**	–
	–	–

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2017	2016
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the year	**–**	–

17 ACQUISITION OF SUBSIDIARIES

On 31 October 2017, the Group obtained control of Beijing Starwise Culture Media Co., Ltd. ("Beijing Starwise"), which is principally engaged in promotion of drama series and films in the PRC, by acquiring 100% of its interest. Taking control of Beijing Starwise will enable the Group to strengthen the business development in the media industry in the PRC and broaden the sources of the Group's revenue. During the year ended 31 December 2017, Beijing Starwise contributed revenue of RMB980,000 and loss of RMB394,000 to the Group's results. If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue from continuing operations would have been RMB510,654,000 and consolidated loss for the year from continuing operation and consolidated loss for the year would have been RMB108,858,000 and RMB78,412,000, respectively. In determining these amounts, management have assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2017.

(a) Consideration

The consideration for the acquisition is RMB30,00,000 which would be payable in cash. No contingent consideration was agreed between the Group and the selling shareholder.

(b) Acquisition-related costs

The Group incurred acquisition-related costs of RMB357,000. These costs have been included in "administrative expenses".

17 ACQUISITION OF SUBSIDIARIES (Continued)

(c) Identifiable assets acquired and liabilities assumed

	RMB'000
Property, plant and equipment	**57**
Trade and other receivables	**11,946**
Cash and cash equivalents	**3,446**
Trade and other payables	**(3,353)**
Current taxation	**(544)**
Total identifiable net assets acquired	**11,552**

(d) Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

(i) Trade and other receivables

The trade and other receivables comprise gross contractual amounts due of RMB11,946,000 which was expected to be collectible at the acquisition date.

(e) Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	RMB'000
Consideration transferred	**30,000**
Fair value of identifiable net assets	**(11,552)**
Goodwill	**18,448**

The goodwill is attributable mainly to the skills and the technical talent of the work force of Beijing Starwise. None of the goodwill recognised is expected to be deductible for tax purposes.

(f) Analysis of cash flow on acquisition

	RMB'000
Cash consideration received *(note)*	**–**
Cash and cash equivalents acquired	**3,446**
Net cash inflow	**3,446**

Note: The consideration for the acquisition, amounting to RMB30,000,000, was subsequently settled in January 2018.

18 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2017 and 2016 not provided for in the consolidated financial statements were as follows:

	2017	2016
	RMB'000	*RMB'000*
Contracted for		
– Purchase of property, plant and equipment	**1,031**	4,410
– Acquiring services relating to production of drama series and films	**17,867**	3,363
	18,898	7,773

(b) At 31 December 2017 and 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**2,300**	2,300

The Group is the lessee in respect of a number of properties held under operating leases. These leases typically run for an initial period of 3 to 20 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

19 MATERIAL RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions during the years ended 31 December 2017 and 2016 as follows. Some of these related party transactions constituted connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules. However, these transactions are exempted from the disclosure requirements under Chapter 14A of the Listing Rules.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors and certain of the highest paid employees, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Short-term employee benefits	**5,663**	3,783
Post-employment benefits	**110**	109
	5,773	3,892

Total remuneration is disclosed in "staff costs" (see note 5(b)).

19 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Financing arrangement

As at 31 December 2017 and 2016, the Group had the following balances with related parties:

	Note	**2017**	2016
		RMB'000	*RMB'000*
Amount due from an associate	*(i)(ii)*	**9,546**	9,028
Amount due to an associate	*(iii)*	**–**	5,479
Loans to an associate	*(i)(iv)*	**–**	2,000

(i) The Group assessed the recoverable amounts of the trade and other receivables based on the financial position of Hubei Changjiang Huasheng Television Co., Ltd. An impairment loss of RMB855,000 (2016: RMB Nil) was recognised in this respect as at 31 December 2017.

(ii) The amount due from an associate is unsecured, interest-free and have no fixed term of repayment. The amount is included in "trade and other receivables" (note 11).

(iii) The amount due to an associate was unsecured, interest-free and had no fixed term of repayment. The amount was included in "trade and other payables" (note 12).

(iv) The loans to an associate were unsecured, interest-free and repayable in 2017. The amounts were included in "trade and other receivables" (note 11).

(c) Material transactions with related parties

During the years of 2017 and 2016, the Group has entered into the following material transactions with related parties:

	Note	**2017**	2016
		RMB'000	*RMB'000*
Drama series and films distribution income from an associate	*(i)*	**479**	7,145

(i) The directors of the Group are of the opinion that these transactions were conducted on normal commercial terms and in the ordinary course of business of the Group.

20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Company alloted and issued 209,000,000 new shares with a nominal value USD0.01 each at the price of HKD0.74 per share, which rank pari passu among themselves and with all other fully paid shares in issue.

21 CONTINGENT LIABILITY

As at 31 December 2017, the Group has issued single guarantees in respect of loans made by banks to the Disposal Group, which were entered before the disposal and are expected to be released within six months after the disposal. As at 31 December 2017, the directors do not consider it probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 31 December 2017 under the single guarantees issued is the outstanding amount of the loans of the Disposal Group of RMB 36,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS OVERVIEW

According to the National Bureau of Statistics, China's gross domestic product (GDP), reached approximately RMB82,712.2 billion in 2017, representing a growth of approximately 6.9% as compared to last year based on comparable prices, indicating that China's economy had taken on a stable development momentum. In 2017, the added-value contributed by the tertiary industry (service sector) amounted to approximately RMB42,703.2 billion with an increase of 8.0%, which was 1.1 percentage points higher than the average GDP growth rate and accounting for 51.6% of the GDP. The annual production index of the national service sector rose by 8.2% over last year, which was 0.1 percentage points higher than that of last year, indicating the service sector played an increasingly important role in stimulating GDP growth rate. In contrast, traditional industries faced various problems including destocking, structural adjustment and environmental cost pressure, with limited recovery in the textile industry and slow growth in investment in fixed assets. The growth in textile industry was mostly from industrial transfer.

For years, China accounted for nearly 40% in the global textile trading as the top player, indicating the dependence of China's textile industry on export. The slackening of economic recovery in Europe and America, the largest consumption markets for textile products, which is not likely to alleviate in the near future, will be great hurdle to the development of China's export trade of textile and apparel. Meanwhile, in the context of economic globalization, the cost advantage of China's textile enterprises has turned to cost disadvantage in view of China's falling demographic dividend, diminishing cost advantage of cheap labor, and high cost of energy, environmental protection and tax burden, and the textile industry witnessed obvious transfer from China to new cost "valley" such as Vietnam, Malaysia, Bengal, Cambodia and India. Currently, it has constituted great competition to international orders of China's textile enterprises, especially medium and low-grade textile and apparel orders from developed countries, and imposed huge challenges to China's export of textile and apparel. In addition, the "environment storm" of Mainland China in 2017 caused certain pressure to the corporate operation in the short term, although it was favorable to excellent enterprises in the long run.

In the midst of a multitude of the above adverse factors, China's aggregate export of textile and apparel in 2017 totalled approximately US$267.0 billion with a year-on-year increase of approximately 1.53% compared with last year, twisting the export decline for two consecutive years. However, the general situation of the textile industry was not optimistic due to an increase of nearly 15.0% in the price of raw materials such as cotton and chemical fiber in 2017 compared with that in 2016.

The film and television media industry showed new tends in 2017. On the one hand, the film and television industry reported steady growth in general. In 2017, the film industry slightly recovered with gradually enhanced quality of films, driven by increased number of audience. According to the data released by the Film Bureau of State Administration of Press, Publication, Radio, Film and Television, China's national total box office increased by 13.45% year-on-year to reach RMB55.9 billion in 2017. With the stricter policy supervision on the film and television industry, the television drama industry focused more attention on the quality development with lower speed. According to Wind Statistics, the number of broad casted television series episodes reached 46,517 in 2017, which was 2,121 episodes fewer than 2016. On the other hand, the market of internet dramas showed new development. With continuous upgrading in the premium internet dramas, numerous premium dramas realized certain breakthroughs in both playback counts and reputation. According to the statistics from EntGroup Inc（藝恩）, the total playback volume experienced obvious growth except the relative downturn in the market of internet dramas in the second quarter of 2017. Meanwhile, influential IP dramas, appealing creative dramas and premium dramas with film production level which took the lead in the premium internet dramas and continuously refreshed the number of views and reputation record.

Under the growing popularity of self-made internet dramas and rapid development of paid videos, the Group furthered its investment in the development of IP and capturing a greater share of the market of internet dramas on the basis of unique advantages of Starrise Pictures including diversified resource reserve and mature profit-making mode of internet dramas and IP dramas. It made great achievements in films, internet films and dramas in 2017, successfully investing in six films, six internet films and two internet dramas. Among them, a black comedy film "Care and Fear（提著心吊著膽）", an IP movie "Li Lei and Han Meimei（李雷與韓梅梅）", a youth nostalgic drama "Goodbye to Time（再見時光）", a mythical fantasy internet drama "The Heavenly Emperor 1 and 2（御天神帝1、2)", a comedy and detective internet drama "Detective He（神探鶴真人）" and a science fiction comedy "Goddess From the Future（燃血女神）", all of which received good market reaction and investment return. The black comedy film "Care and Fear" won the "Asian new award – Best screenwriter nomination（亞洲新人獎 – 最佳編劇提名）" at the 19th Shanghai International Film Festival（第十九屆上海國際電影節）; the mythical fantasy internet drama "The Heavenly Emperor（御天神帝）", which was adapted from the internet phenomenon literature, ranked the top with RMB13,340,000 in the Internet Theater Ranking in October released by Youku with an exciting story and excellent acting skills, and was honored by EntGroup Inc as the "Most Valuable Internet Film in 2017"; the youth science fiction campus comedy "Goddess From the Future" achieved number of views online of more than 0.4 billion since its exclusive broadcast on Youku with creative stories, striking cast and deliberate team production.

Meanwhile, a subsidiary of the Group, Beijing Huasheng Taitong Media Investment Company Limited ("**Huasheng Media**") continuously gave full play to its strength in the investment and production of the orthodox historical dramas on significant revolution and history promoting major themes and positivity. Although affected by industrial policies and release schedule of TV stations, the films and television dramas of the Company were not able to broadcast as scheduled and postponed to the next year leading to a sharp decline of the revenue and profit from the media business, in view of the characteristics of the film and television drama media industry as the pillar industry of the national economy, the Company is still confident in the future development of the film and television drama media industry. During the Period under Review, the Company also stably enhanced its traditional television drama business.

As the first television drama in China based on the theme of cross-national adoption, the urban emotional drama "The Adoption（領養）", won the "Gold Angel Award for Outstanding Chinese Television Play Series（優秀中國電視劇金天使獎）" at the 12th China US Film Festival（第十二屆中美電影節）held in November 2016, and was sold abroad to countries including Malaysia, Vietnam, Cambodia, Brunei, etc. Since its premiere on CCTV on 13 August 2017, the great work of the year has realized an average rating of 1.13% and the highest audience share of 5.92%.

The modern urban drama "New Myriad Twinkling Lights（新萬家燈火）" (formerly known as "March in River City（江城三月）"), the first large-scale light comedy television drama depicting the urban community life which obtained the distribution license of the television drama, was broadcasted on Anhui Satellite TV and Hubei Satellite TV on 17 March 2018.

The historical drama "Qiao's Grand Courtyard–The Road Ahead（喬家大院之光明之路）" has obtained the television drama distribution license, and is currently at the release stage.

In 2017, Huasheng Media finished the shooting of three television dramas, i.e. "Wudang Yijian（武當一劍）", "The Echoes of Xibaipo（西柏坡的回聲）" and "The New Big Head Son and The Little Head Father（新大頭兒子和小頭爸爸）". Currently, the aforesaid television dramas have entered the phase of post-production and are expected to be broadcast in 2018.

In 2017, while still focusing on the investment and production of film and television dramas, following the management strategy of establishing presence in the whole chain of film and television industry, the Group gradually extended to the business of implanted advertisement and film and television drama promotion and distribution. Beijing Starwise Culture Media Co., Ltd. ("**Beijing Starwise**"), a wholly-owned subsidiary of the Company, served as the platform for the aforesaid business of the Company.

At present, as the film and television business platforms of the Group, Huasheng Media, Starrise Pictures and Beijing Starwise, each of which has their own focus and complementary advantages, are expanding the Group's film, television and media business at multiple levels. The better integration of the three business platforms is conducive to the sharing of broadcasting channels, and the continuous expansion of the film and television audience. Meanwhile, with superiority in the film and television promotion, brand management and operation, the Beijing Starwise platform effectively enriches and enhances our business in the whole chain of the film and television industry, and improves our brand competitiveness. In order to realize a diversified business development, the Group has been devoting more efforts to the development of film and television related implanted advertisement; meanwhile, leveraging its outstanding production capability, the Group has also started the business of providing completion guarantee and costume, makeup and props and other services related to the industry. All these we believe will diversify and enhance the Group's revenue stream, and are in the interest of the Company and its shareholders as a whole.

During the Period under Review, the Group's revenue from continuing operations was approximately RMB489.2 million, which represented a decrease of approximately RMB9.7 million as compared with last year, which was mainly due to the revenue of the Group's film and television business; loss attributable to equity shareholders of the Company was approximately RMB81.1 million, which represented a decrease of approximately RMB105.6 million as compared with last year's the profit attributable to equity shareholders, which was mainly due to the Group's impairment loss on goodwill, decrease in the revenue and the increase in the sales cost.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the continuing operations of the Group's revenue, gross profit and gross profit margin of its major business categories for the years ended 31 December 2017 and 2016:

	For the year ended 31 December					
	2017			2016		
	Revenue *RMB'000*	**Gross profit** *RMB'000*	**Gross profit margin** *%*	Revenue *RMB'000* (Restated)	Gross profit *RMB'000* (Restated)	Gross profit margin *%* (Restated)
Textile business	**412,029**	**55,089**	**13.4%**	378,527	69,445	18.3%
Film and drama series business	**77,129**	**15,930**	**20.7%**	120,311	64,270	53.4%
Total	**489,158**	**71,019**	**14.5%**	498,838	133,715	26.8%

The gross profit margin from continuing operations of the Group decreased by approximately 12.3 percentage points, from approximately 26.8% for the year ended 31 December 2016 to approximately 14.5% for the year ended 31 December 2017. The decrease of overall gross profit margin was mainly due to (i) the increase of the cost of the Group's textile business, leading to a decline in the gross profit margin of textile business by 4.9 percentage points over 2016; and (ii) the revenue of the Group's film and drama series business declined sharply and the cost increased significantly, leading to a decline in the gross profit margin of film and drama series business by 32.7 percentage points over 2016. The Group will further broaden the marketing channels of the film and television drama series, and further optimize the product mix in order to maximize the Group's gross profit margin.

Distribution costs

For the year ended 31 December 2017, total distribution costs of the continuing operations of the Group increased by approximately RMB6.6 million to approximately RMB18.1 million as compared to that of the previous year. Such increase was mainly due to the increase in the television dramas' distribution expenses, travel expenses of sales staff, marketing expenses and transportation expenses of the Group's film and television drama business during the Period under Review when compared to that of the corresponding period in previous year.

Administrative expenses

For the year ended 31 December 2017, the administrative expenses of the continuing operations of the Group was approximately RMB75.5 million, representing an increase of approximately 10.0% when compared to the administrative expanses of approximately RMB68.7 million recorded in 2016. The increase was mainly due to the expenditures related to the acquisition of media business, the establishment of new companies, the increase of staff cost for film and drama series business.

Net finance costs

During the year ended 31 December 2017, the net finance cost of the continuing operations of the Group were approximately RMB73.7 million, representing an increase of approximately RMB55.9 million as compared to approximately RMB17.8 million in 2016, which was mainly due to the increase in finance cost. For the year ended 31 December 2017, the finance cost of the continuing operations of the Group was approximately RMB101.3 million, representing an increase of approximately RMB82.5 million as compared to approximately RMB18.8 million in 2016. It was mainly due to the increase in interest expenses relating to the convertible bonds and the increase of foreign exchange loss. The finance income was approximately RMB27.5 million, representing an increase of approximately RMB26.5 million as compared to approximately RMB1.0 million in 2016, which was mainly due to the increase in foreign exchange income of the Group's settlement of foreign currency in 2017.

Taxation

Taxation of the continuing operations of the Group was increased by approximately 85.0% from approximately RMB2.0 million in 2016 to approximately RMB3.7 million during the Period under Review. This was mainly due to the increase of income tax on gain on sales of discontinued operation.

Profit attributable to the equity shareholders of the Company

For the year ended 31 December 2017, the loss attributable to the equity shareholders of the Company was approximately RMB81.1 million, representing a decrease of approximately 431.0%, from the profit attributable to the equity shareholders of the Company of approximately RMB24.5 million recorded in 2016. The decrease was mainly due to the Group's impairment loss on goodwill and the increase of the net finance cost. Based on the aforementioned factors, the Group's gross profit margin for continuing operations for the year ended 31 December 2017 decreased to approximately 14.5%, or by 12.3 percentage points, from that of approximately 26.8% in 2016. As a consequence, the Group's gross profit for continuing operation decreased by approximately 46.9%, or approximately RMB62.7 million, to approximately RMB71.0 million for the year ended 31 December 2017 from approximately RMB133.7 million in the previous year.

Liquidity and financial resources

As at 31 December 2017, cash and cash equivalents of the Group were approximately RMB155.6 million, representing a decrease of approximately 21.6% from approximately RMB198.4 million as at 31 December 2016. This was mainly due to the effect of foreign exchange rate change and the decrease of cash generated from operations of the Company.

For the year ended 31 December 2017, the Group's net cash used in operating activities was approximately RMB162.0 million (2016: net cash generated from operating activities was approximately RMB90.4 million), net cash used in investing activities was approximately RMB91.6 million (2016: approximately RMB66.3 million) and net cash generated from financing activities was approximately RMB240.4 million (2016: approximately RMB33.4 million). Cash and cash equivalents of the Group decreased by RMB13.2 million in 2017 (2016: increased by RMB57.5 million) during the Period under Review. The Board believes that the Group will maintain a sound and stable financial position, and will maintain sufficient liquidity and financial resources for the Group's business need.

The Group's customers, who have set up long-term business relationship with the Group and have well settlement history and sound reputation, have been waived the requirement for deposit payment and granted a credit period typically ranging from 30 to 180 days pursuant to the payment terms of the purchase or processing orders. The length of credit period depends on various factors such as financial strength, size of the business and settlement history of those customers. For the year ended 31 December 2017, the average trade receivables (including bills receivable) turnover period of the Group was approximately 89 days, increased by 40 days with 49 days for the year ended 31 December 2016. The credit period granted to customers generally increased as compared with the previous year which led to an increase of turnover period of the average trade receivables.

For the year ended 31 December 2017, inventory turnover period of the Group decreased to 129 days from 156 days in the previous year. This was mainly because of the disposal of discontinued operation and the decrease of finished goods of the Group. The finished goods decreased to approximately RMB44.2 million as at 31 December 2017 from approximately RMB59.8million as at 31 December 2016.

For the year ended 31 December 2017, drama series and films turnover period of the Group increased to 977 days from 589 days in the previous year. This was mainly because of the increase of completed production drama series and films of the Group. The completed production drama series and films increased to approximately RMB201.7 million as at 31 December 2017 from approximately RMB118.9 million as at 31 December 2016.

As at 31 December 2017, the Group's borrowings of approximately RMB191.2 million (2016: approximately RMB185.0 million) bore fixed interest at rates at 4.4% (2016: 4.4%) per annum. As at 31 December 2017, the Group's borrowings of approximately RMB10.0 million (2016: approximately RMB23.9 million) bore floating interest at rates at 5.7% (2016: 5.7%). The Group's debt of the convertible bonds is approximately RMB388.0 million, with annual effective interest rate of 18.9%-22% (2016: 18.9%).

Capital structure

The Group actively and regularly reviews and manages its capital structure makes adjustments to the capital structure in light of changes in economic conditions.

For the year ended 31 December 2017, the debts of the Group were mainly borrowings and convertible bonds with a total amount of approximately RMB590.6 million (2016: approximately RMB405.0 million). As at 31 December 2017, cash and bank was approximately RMB155.6 million (2016: approximately RMB198.0 million). As at 31 December 2017, the gearing ratio was approximately 42.7% (2016: approximately18.8%), which was calculated by dividing total debt (i.e. borrowings, convertible bonds and obligations under finance lease, after deducting cash and bank) by total equity.

As at 31 December 2017, the debts of the Group that will become due within a year were approximately RMB360.9 million (2016: RMB198.9 million).

As at 31 December 2017, the Group's cash and bank was mainly held in Renminbi, US dollars, HK dollars, of which, approximately RMB35.4 million (2016: RMB132.2 million) or 22.8% (2016: 66.7%) of the cash and bank was held in Renminbi.

Furthermore, the Group had no finance lease liabilities as at 31 December 2017 (31 December 2016: RMB3.9 million, bearing floating interest rates ranging from 5.5% to 6.1%). The carrying amounts of bank loans were denominated in RMB. For the year ended 31 December 2017, no financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Capital commitments

Save as disclosed in the notes to the audited consolidated annual financial results of the Group, the Group did not have any other significant capital commitments as at 31 December 2017 (2016: Nil).

Employee and remuneration policy

As at 31 December 2017, the Group had a total of 1,766 employees (2016: 2,577), the decrease in the number of staff as compared to that of the previous year was mainly due to the Group's disposal of the entire issued share capital of Swift Power Limited, a former subsidiary of the Company engaged in the production of dobby fabrics, in November 2017.

For the year ended 31 December 2017, labour costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB90.8 million (2016: approximately RMB91.0 million). The labour costs was stable as compared with the previous year.

The Group continues to provide training to staff members to improve their operation skill. Meanwhile, the Group enhanced the work efficiency and average income of the staff through post-consolidation, process reorganisation and improvement of working and living environment of the staff. The remuneration of the employees of the Group was subjected to their working performance, experience and the industry practices. The management of the Group will also periodically review its remuneration policy.

Exposure to foreign exchange risk

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

The Group has not used any foreign currency derivatives to hedge against the exposure in foreign exchange.

Contingent liabilities

Save as disclosed in the note to the financial statements, the Group did not have any contingent liabilities as at 31 December 2017 (2016: Nil).

Charges on assets

Save as the pledged bank deposits as presented in the consolidated statement of financial position, the Group pledged its machinery and equipment with net book value of approximately RMB6.4 million (2016: RMB28.5 million) to banks as securities for the bank loans as at 31 December 2017. No machinery and equipment (2016: RMB35.6 million) were held under finance lease as at 31 December 2017.

Significant investments held

The Group did not hold any significant investment in equity interest in any company during the year ended 31 December 2017.

Future plans for material investments and capital assets

The Group does not have any plans for material investments and capital assets.

Acquisitions and disposals of subsidiaries and associate

In October 2017, the Group completed the acquisition of Beijing Starwise Culture Media Co., Ltd., which is a diversified film and television media company with branding IP operation as its core. Its scope of business covers content development and incubation, films and drama series promotion and advertisement.

In November 2017, the Group completed the disposal of the entire issued share capital of Swift Power Limited, a former subsidiary of the Group, at the total consideration of RMB145.2 million. As of the date of this announcement, all of the consideration has been settled.

Swift Power Limited is principally engaged in the production of dobby fabrics in the PRC. Dobby fabrics are used for manufacturing a broad range of mid-end functional home textile and apparel textile products. The entire issued share capital of Huiyin (HK) Limited is held by Swift Power Limited, and the entire equity interests in Zibo Huiyin Textile Co., Ltd. is held by the Huiyin (HK) Limited.

For details of this disposal, please refer to the announcements dated 5 July 2017, 31 July 2017, 11 August 2017, the circular of the Company dated 25 August 2017 and the announcement dated 6 November 2017.

In December 2017, the Group completed the disposal of China Sports Insurance Broker Co., Ltd., a former associate of the Group, at the total consideration of RMB12.0 million.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Company completed the issue of new shares under general mandate in the aggregate of 209,000,000 new shares with aggregate proceeds amount to a total of HKD154.66 million on 5 February 2018. Further details of the new shares issue are set out in the Company's announcements dated 17 January 2018 and 5 February 2018.

OUTLOOK

2018 is the beginning year for the implementation of the plans and requirements of the 19th CPC National Congress. As the 40th anniversary of the reform and opening-up, it is also the key year for completing the building of a moderately well-off society in all respects and an important year for implementing the "13th Five Year plan".

At present, China's economy is in the critical period of transformation of development mode, optimization of economic structure and change of growth momentum. The "high-quality growth" will be recovered in 2018 with development quality and efficiency expected to be continuously enhanced, and China's economy will maintain the stable and better development momentum in the new normal. On the one hand, it's normal for the future economy to be subject to slow reduction in the narrow fluctuation without hard landing or new cycle. After several years' great decline in the growth rate of the manufacturing industry investment, real estate investment and consumption, the amplitude of the slowdown obviously narrowed, and the withdrawal of "old momentum" will be slowly controlled in future, which will prevent the economic hard landing; on the other hand, "new momentum" is still under cultivation, which cannot offset the impact of the policy launch in the short term.

With the gradual recovery of global economy, gradual destocking, continuous transformation and adjustment, comprehensive launch of pollutant discharge system of the printing and dyeing industry in 2017, and rise in the price of raw materials, on the one hand, due to the gradual recovery of global economy, the prosperity of the textile manufacturing industry was slightly enhanced; on the other hand, the development was faced with new dilemmas due to the stricter environment assessment system, price rise, RMB appreciation, US tax reduction and competition pressure from emerging markets in India and Vietnam. On the whole, the textile industry will be filled with development opportunities and challenges in future.

As the Group's traditional business is textile business, it will continue to capitalize on its expertise and strengths, integrate product development with model innovation, intensify cooperation with peer enterprises, Chinese and foreign universities and research and development institutions, form professional alliance or union and further enhance comprehensive innovation capability and influence of the Group. In the meantime, the Group will continue to deepen precision management, reduce operation cost, increase revenue, and cut expenditure in order to lower and absorb the negative influence of downward pressure on the operation of the Group and maintain long-term and sustainable development.

Against the background of high-quality development of the macro-economy, the culture industry, as a pillar industry in national economy in 2020, is impacted by culture industrial policy, the uplifted consumption level of residents, the deepening of urbanization and the increasing demands for cultural products, and film and television drama industry will demonstrate distinct development trends. Firstly, five departments jointly issued the Notice Concerning Relevant Policies on the Prosperous Development of Television Dramas in September 2017, in a bid to improve the broadcast structure of television drama, enrich television dramas focusing on major revolution and history, rural areas, minority and military, and greatly carry forward the central theme of the times. Therefore it may be expected that the original television dramas related to realistic themes will be greatly increased in the future. Secondly, according to the view list of Internet dramas in 2018 released by three major video websites, i.e. Iqiyi, Youku and Tencent, apart from the greatly increase in quantity compared with last year, the content type and production scale of network dramas would also be different in the future. And large IP, high qulity and categorization will be the mainstream development of Internet dramas in the future. Thirdly, the Film Industry Promotion Law of the People's Republic of China was duly enforced from March 2017, which encouraged the rational development of the film industry in terms of policy. In the meantime, in response to the audience's demand for high-quality viewing experience, proportion of blockbusters with "high cost and large production" will also be increased as the rational and healthy development of films in the future.

Having been closely monitoring and studying the film media industry, the Board remains positive about the prospects of the development for film and television drama. As the industry increases its focus on content and channel, the Group will explore and make full use of IP resources, proactively develop IP projects, and take advantage of the existing platforms of the Group to strengthen the production and investment of quality dramas on one hand and continuously strengthen the cooperation and promotion with the film and television broadcasting platforms such as the Youku and Tudou and media channels such as CCTV-6 on the other hand. Meanwhile, the Group will also intensify the introduction of overseas copyright films. It is believed that the measures above will contribute to the health and steady development of our film media sector.

Looking ahead to 2018, firstly, the Company will utilize the excellent ability of producing and distributing television drama and diverse distribution channels of television drama of Huasheng Media through platform of the subsidiary Huasheng Media, accelerate the launch of "Quality drama" and television drama with positive energy targeted at different audiences in close connection with the guidelines of the cultural and media industry raised by the 19th CPC National Congress, and raise the release, distribution and turnover rate of television dramas to increase the sales revenue. Secondly, under the market environment with Internet drama rapidly developing, the Company will intensify strategic cooperation with IP incubating enterprises and develop super episodes such as head IP dramas and creative dramas through the platform of Starrise Pictures, in order to seize the market share of Internet dramas. Thirdly, the Company will utilize the superiority of its subsidiary, Beijing Starwise in terms of advertisement implanting and publicity to strengthen the film and television drama business in the entire industry chain. Fourthly, under the influence of the "salary ceiling（限薪令）" and "costume drama limitation（限古令）" policies, the film and television media industry is faced with new development opportunities. The Company will closely pay attention to the industry policies, make full use of existing film and television resources, and promptly adjust the annual investment and shooting plan, in order to better realize the annual development objective. Finally, the Company will make reasonable deployment to expand the film and television drama business, actively invest in the shooting of "Quality drama", focus on the reputation and traffic of films and television dramas, strengthen the apparel, cosmetics and props in the industry chain of the film and television drama industry, and continuously diversify the film and television media in the entire industry chain, in order to improve the overall operation performance of the Group.

Currently, the Group's preparatory plans and filming works are undergoing smoothly, and the broadcasting and production schedule of its films and television series for the year 2018 are as follows:

No.	Name	Subject matter	(Planned) boot time	Remark
1	New Myriad Twinkling Lights (formerly known as March in River City) (新萬家燈火 (原《江城三月》))	Modern urban drama	Distribution license obtained	Was broadcasted on Anhui Satellite TV and Hubei Satellite TV on 17 March 2018
2	Qiao's Grand Courtyard–The Road Ahead (喬家大院之光明之路)	Historical story drama	Distribution license obtained	At the release stage
3	Wudang Yijian (武當一劍)	Martial arts drama	Shooting started	Under post-production, to be broadcasted in 2018
4	The Echoes of Xibaipo (西柏坡的回聲)	Epic television drama based on revolution history	Shooting started	Under approval and modification, to be broadcasted in 2018
5	The 1-100 episodes of The New Big Head Son and The Little Head Father (新大頭兒子和小頭爸爸1-100集)	Situation comedy	Shooting started	Under post-dubbing, to be broadcasted in 2018
6	Once Upon A Time In The Northeast (東北往事)	Gangster film	Shooting started	Under post-production, to be broadcasted in 2018

No.	Name	Subject matter	(Planned) boot time	Remark
7	Hello My Dog（監獄犬計劃）	Comedy film	Shooting started	Under post-production, to be broadcasted in 2018
8	Here Comes Dashan（大山來了）	Youth nostalgic film	Shooting started	Under post-production, to be broadcasted in 2018
9	Us and Them（後來的我們）	Urban emotional film	Shooting started	Expected to be broadcasted on 28 April 2018
10	Horror Blockbuster（恐怖大片）	Horror film	Shooting started	Under post-production, to be broadcasted in 2018
11	The Heavenly Emperor 3 and 4（御天神帝3、4)	Mythical fantasy internet drama	Shooting started	Under post-production, to be broadcasted in 2018
12	Tempering of King Gelsall（格薩爾王之磨煉）	Animation film	To be determined	Preparing script
13	The Family in That City（那座城，這家人）	Realistic drama	The first half of 2018	Preparing script
14	Traveling in Hunan（湘行天下）	Era drama	The first half of 2018	Preparing script
15	The 101-300 episodes of The New Big Head Son and The Little Head Father（新大頭兒子和小頭爸爸101-300集）	Situation comedy	The second half of 2018	Preparing script
16	All You Have to Do is Dream（摩登心計）	Modern urban drama	The first half of 2018	Preparing script
17	The Tale of the Mythical Ferocious Animal（饕餮記）	Costume fantasy drama	The first half of 2018	Preparing script

No.	Name	Subject matter	(Planned) boot time	Remark
18	The Counterattack of An Ordinary Man (匹夫的逆襲)	Modern urban drama	The second half of 2018	Preparing script
19	Yangtze River Bridge (長江大橋)	Realistic drama	The second half of 2018	Preparing script
20	Blood Pledge for Thousands of Years (血盟千年)	Historical story drama	The second half of 2018	Preparing script
21	Jigong Mountain 1938 (雞公山1938)	Anti-Japanese war drama	The second half of 2018	Preparing script
22	Food that Makes You Forget (忘食)	Modern urban drama	The second half of 2018	Preparing script
23	The Past Days Spent Together (一起混過的日子)	Passionate youth drama	The second half of 2018	Preparing script
24	Beauty is the Most Important (唯美貌不可辜負)	Urban love and fashion drama	The second half of 2018	Preparing script
25	Cross Fire (穿越火綫)	Passionate action drama	The second half of 2018	Preparing script
26	Platinum Data (白金數據)	Fantasy criminal investigation drama	The second half of 2018	Preparing script
27	Useless Super Power (無用超能力)	Comedy film	The second half of 2018	Preparing script

In conclusion, 2018 will be a year for the Group to continue realising new development. Under the leadership of the management, all of the Group's employees will be encouraged unite together, proactively explore new direction for the textile business by endeavoring to reduce energy consumption and improve operation performance, so as to strengthen the profitability of the textile business and maintain our competitiveness in the industry. At the same time, the Group will leverage on the advantages of its film and television business, expedite the release of "premium drama" and films and television series targeted at different audiences by virtue of the large amount of films trajectory mature audience, television plays and IP reserved resources owned while paying attention to their public praise and audience viewing status. The Group will also follow the new trend in the film and television media industry of "integration of internet and TV stations", and strengthen the cooperation with the television drama broadcasting platforms. Since the audience of internet film and television dramas have formed their payment habits, the Group will continuously develop head IP dramas and super dramas, improve the operation and development ability, and enhance the Group's influence in the industry, so as to improve the continuous profitability of the film and television media business of the Group.

The Group's management will endeavour to fulfill their duties, continuously improving the Group's profitability and core competitiveness so as to advance the steady development of the Group's businesses and improve returns to the Company's shareholders.

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

For the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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

For the year ended to 31 December 2017, the Company had adopted and complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

MODEL CODE FOR SECURITIES TRANSACTION BY THE DIRECTORS

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

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely Mr. Lam Kai Yeung, Mr. Wang Liang Liang and Mr. Gao Gardon Xia. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting system, risk management and internal control systems of the Group.

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters (including the audited consolidated financial statements of the Company for the Year) in conjunction with the Company's external auditors. The Audit Committee was satisfied that the audited consolidated financial statements of the Company were prepared in accordance with applicable accounting standards and presented fairly the financial position and results of the Group for the Year.

FINAL DIVIDEND

The year of 2018 is essential for the development of the Company. The traditional textile business needs to overcome the unfavorable conditions due to the downtrend of industry development, and make positive efforts to deal with. At the same time, the media business in its pivotal development and consolidation also need further investment. Therefore, the Board does not recommend the payment of a final dividend for the year ended 31 December 2017. At this point, the Board is committed to make the best efforts to seek the development of the Company in future years, in order to get a better return for the shareholders of the Company.

ANNUAL GENERAL MEETING

The 2017 annual general meeting of the Company (the "**AGM**") will be held on Friday, 15 June 2018. Shareholders should refer to details regarding the AGM in the circular of the Company to be dispatched in April 2018 and the notice of the AGM and form of proxy accompanying thereto.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12 June 2018 to Friday, 15 June 2018, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 11 June 2018.

SCOPE OF WORK OF THE AUDITORS

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL REPORT

The 2017 annual report will be despatched to the shareholders and published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website the Company (http://www.starrise.cn) timely and properly.

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

Shandong, the PRC
29 March 2018

As at the date of this announcement, the Board comprises eight Directors, namely Mr. LIU Dong, Mr. LIU Zongjun, Ms. CHEN Chen, Mr. HE Han and Mr. TAN Bin as executive Directors; Mr. WANG Liangliang, Mr. LAM Kai Yeung and Mr. GAO Gordon Xia as independent non-executive Directors.

This announcement is prepared in both Chinese and English. In the event of inconsistency, the English text of the announcement shall prevail over the Chinese text.