The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Strawbear Entertainment Group
China Merchants Securities (HK) Co., Limited
China Securities (International) Corporate Finance Company Limited

Dear Sirs,

We report on the historical financial information of Strawbear Entertainment Group (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-88, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 and the statements of financial position of the Company as at 31 December 2018 and 2019 and 30 June 2020 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-88 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 December 2020 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 and the Company as at 31 December 2018 and 2019 and 30 June 2020, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2019 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
31 December 2020

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
REVENUE	*5*	542,864	679,109	765,097	647,745	579,832
Cost of sales		(390,812)	(469,246)	(657,457)	(574,962)	(444,190)
Gross profit		152,052	209,863	107,640	72,783	135,642
Other income and gains	*5*	4,008	4,411	34,343	22,279	10,448
Selling and distribution expenses		(24,375)	(75,758)	(33,498)	(29,443)	(32,364)
Administrative expenses		(15,430)	(64,047)	(17,655)	(9,810)	(29,831)
Other expenses		(829)	(386)	(128)	(128)	–
Finance costs	*7*	(22,792)	(34,871)	(9,734)	(5,018)	(5,513)
Changes in fair value of financial liabilities at fair value through profit or loss		–	936	(14,996)	(4,328)	(3,720)
PROFIT BEFORE TAX	*6*	92,634	40,148	65,972	46,335	74,662
Income tax expense	*10*	(28,604)	(29,635)	(15,572)	(8,537)	(20,534)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		64,030	10,513	50,400	37,798	54,128
Attributable to:						
Owners of the parent		60,566	12,434	50,032	37,800	54,128
Non-controlling interests		3,464	(1,921)	368	(2)	–
		64,030	10,513	50,400	37,798	54,128
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	*12*	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	1,628	2,921	2,665	10,367
Right-of-use assets	*14(a)*	3,313	1,730	894	4,071
Goodwill	*15*	–	–	108,341	112,983
Other intangible assets	*16*	28	24	42,920	27,200
Investment in a joint venture	*17*	–	–	14,000	14,000
Investment in an associate	*18*	–	300	300	–
Deferred tax assets	*29*	6,429	16,151	28,053	30,020
Total non-current assets		11,398	21,126	197,173	198,641
CURRENT ASSETS					
Inventories	*19*	314,509	536,664	919,119	681,121
Trade and notes receivables	*20*	289,851	180,344	485,396	776,634
Prepayments, other receivables and other assets	*21*	83,981	244,498	340,906	254,012
Due from a related party	*37(c)*	–	–	3,000	–
Financial assets at fair value through profit or loss	*22*	20,000	–	–	–
Restricted cash	*23*	–	–	54,312	18
Cash and cash equivalents	*24*	153,258	97,255	52,349	83,295
Total current assets		861,599	1,058,761	1,855,082	1,795,080
CURRENT LIABILITIES					
Trade payables	*26*	189,570	236,863	449,190	425,521
Other payables and accruals	*27*	177,894	177,497	734,535	602,808
Interest-bearing bank and other borrowings	*28*	43,000	66,000	125,000	140,500
Lease liabilities	*14(b)*	1,493	907	509	896
Due to a joint venture	*37(c)*	–	–	51,000	71,260
Due to a related party	*37(c)*	–	81,013	105,926	–
Tax payable		19,585	16,648	6,604	7,999
Dividend payable		–	80,000	81,507	80,000
Total current liabilities		431,542	658,928	1,554,271	1,328,984
NET CURRENT ASSETS		430,057	399,833	300,811	466,096
TOTAL ASSETS LESS CURRENT LIABILITIES		441,455	420,959	497,984	664,737

		As at 31 December			As at 30 June
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		441,455	420,959	497,984	664,737
NON-CURRENT LIABILITIES					
Financial liabilities at fair value through profit or loss	*30*	–	274,525	289,521	401,491
Interest-bearing bank and other borrowings	*28*	246,578	–	–	–
Lease liabilities	*14(b)*	1,379	472	–	2,874
Deferred tax liabilities	*29*	–	–	14,012	8,676
Total non-current liabilities		247,957	274,997	303,533	413,041
Net assets		193,498	145,962	194,451	251,696
EQUITY					
Equity attributable to owners of the parent					
Share capital	*31*	–	–	–	–
Reserves	*32*	190,034	144,419	194,451	250,822
		190,034	144,419	194,451	250,822
Non-controlling interests		3,464	1,543	–	874
Total equity		193,498	145,962	194,451	251,696

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Share capital	Capital reserve*	Statutory surplus reserve*	Share award or option reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017								
At 1 January 2017	–	10,000	5,882	–	113,586	129,468	–	129,468
Total comprehensive income for the year	–	–	–	–	60,566	60,566	3,464	64,030
Transfer to statutory reserve	–	–	1,461	–	(1,461)	–	–	–
At 31 December 2017	–	10,000	7,343	–	172,691	190,034	3,464	193,498
Year ended 31 December 2018								
At 1 January 2018	–	10,000	7,343	–	172,691	190,034	3,464	193,498
Total comprehensive income for the year	–	–	–	–	12,434	12,434	(1,921)	10,513
Equity-settled share award expense	–	–	–	41,951	–	41,951	–	41,951
Dividend declared by a subsidiary to its then shareholders	–	–	–	–	(100,000)	(100,000)	–	(100,000)
At 31 December 2018	–	10,000	7,343	41,951	85,125	144,419	1,543	145,962
Year ended 31 December 2019								
At 1 January 2019	–	10,000	7,343	41,951	85,125	144,419	1,543	145,962
Total comprehensive income for the year	–	–	–	–	50,032	50,032	368	50,400
Transfer to statutory reserve	–	–	746	–	(746)	–	–	–
Dividend declared by a subsidiary to its then shareholders	–	–	–	–	–	–	(1,911)	(1,911)
At 31 December 2019	–	10,000	8,089	41,951	134,411	194,451	–	194,451

	Attributable to owners of the parent							
	Share capital	Capital reserve*	Statutory surplus reserve*	Share award or option reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2020								
At 1 January 2020	–	10,000	8,089	41,951	134,411	194,451	–	194,451
Total comprehensive income for the period	–	–	–	–	54,128	54,128	–	54,128
Equity-settled share award expense	–	–	–	2,146	–	2,146	-	2,146
Acquisition of a subsidiary *(note 33(b))*	–	–	–	–	–	–	971	971
Acquisition of non-controlling interests	–	97	–	–	-	97	(97)	–
Transfer to statutory reserve	–	–	6,250	–	(6,250)	–	–	–
At 30 June 2020	–	10,097	14,339	44,097	182,289	250,822	874	251,696
Six months ended 30 June 2019								
At 1 January 2019	–	10,000	7,343	41,951	85,125	144,419	1,543	145,962
Total comprehensive income for the period (unaudited)	–	–	–	–	37,800	37,800	(2)	37,798
Transfer to statutory reserve (unaudited)	–	–	746	–	(746)	–	–	–
At 30 June 2019 (unaudited)	–	10,000	8,089	41,951	122,179	182,219	1,541	183,760

* These reserve accounts comprise the consolidated reserves of RMB190,034,000, RMB144,419,000, RMB194,451,000 and RMB250,822,000 in the consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		92,634	40,148	65,972	46,335	74,662
Adjustments for:						
Depreciation of property, plant and equipment	*13*	348	846	1,179	575	632
Depreciation of right-of-use assets	*14(a)*	891	1,583	945	457	552
Amortisation of other intangible assets	*16*	5	4	4	2	28,402
Interest income from loans receivable	*5*	(125)	(2,849)	(9,415)	(3,958)	(6,788)
Finance costs		22,792	32,589	8,267	3,555	5,287
Investment income from financial assets at fair value through profit or loss	*5*	(637)	(49)	–	–	–
Equity-settled share award expense	*34*	–	41,951	–	–	2,146
Changes in fair value of financial liabilities at fair value through profit or loss		–	(936)	14,996	4,328	3,720
Net foreign exchange differences	*5*	–	–	–	–	(677)
Loss/(gain) on disposal of items of property, plant and equipment	*6*	–	10	–	–	(152)
Gain on disposal of an associate	*5*	–	–	–	–	(56)
Write-down of inventories to net realisable value	*6*	–	13,820	–	–	–
Impairment of trade receivables	*20*	3,826	1,909	1,528	936	5,887
		119,734	129,026	83,476	52,230	113,615
Decrease/(increase) in inventories		(262,201)	(235,975)	(260,391)	(12,562)	239,631
Decrease/(increase) in trade and notes receivables		(176,591)	107,598	(306,580)	(446,240)	(285,223)
Decrease/(increase) in prepayments and other assets		17,778	(50,726)	(43,266)	(20,383)	(3,166)
Decrease in deposits and other receivables		2,974	469	102,228	93,843	58,297
Decrease/(increase) in amount due from a related party		–	–	(3,000)	(3,000)	3,000
Decrease/(increase) in restricted cash		–	–	(54,312)	–	54,294
Increase/(decrease) in trade payables		185,861	47,293	206,439	206,069	(33,937)
Increase/(decrease) in contract liabilities		62,326	(38,143)	361,497	218,844	(130,678)
Increase/(decrease) in other payables and accruals		21,174	18,766	(9,439)	(14,810)	24,199
Cash generated from/(used in) operations		(28,945)	(21,692)	76,652	73,991	40,032
Income tax paid		(27,757)	(42,294)	(37,518)	(29,922)	(28,206)
Net cash flows from/(used in) operating activities		(56,702)	(63,986)	39,134	44,069	11,826

		Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(635)	(2,152)	(130)	(11)	(1,644)
Proceeds from disposal of items of property, plant and equipment		–	3	–	–	242
Purchases of shares in a joint venture		–	–	(14,000)	–	–
Purchases of shares in an associate		–	(300)	–	–	–
Disposal of an associate		–	–	–	–	356
Prepayment of right-of-use assets		(456)	–	–	–	–
Advances of loans to third parties		–	(92,266)	(92,760)	–	–
Purchases of financial assets at fair value through profit or loss		(201,000)	–	–	–	–
Disposal of financial assets at fair value through profit or loss		331,000	20,000	–	–	–
Investment income received from financial assets at fair value through profit or loss		637	49	–	–	–
Interest received from loans receivable		125	–	–	–	–
Acquisition of subsidiaries, net of cash acquired	*33*	–	(15,000)	(79,680)	(66,280)	(29,313)
Repayment of advances of loans to third parties		2,000	–	–	(2,000)	50,498
Net cash flows from/(used in) investing activities		131,671	(89,666)	(186,570)	(68,291)	20,139
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from financial liabilities at fair value through profit or loss		–	275,461	–	–	108,250
New bank loans		30,000	142,004	110,000	–	–
Proceeds from other borrowings		75,500	381,000	73,000	7,000	20,000
Repayment of bank loans		(36,700)	(137,004)	(35,000)	(5,000)	–
Repayment of other borrowings		(3,674)	(553,000)	(38,000)	(21,000)	(110,000)
Payment for deferred listing expenses		–	–	–	–	(3,687)
Dividend paid to a non-controlling shareholder		–	–	(404)	–	(1,507)
Interest paid		(1,896)	(9,319)	(6,087)	(880)	(13,607)
Repayment of principal portion of lease liabilities		(799)	(1,493)	(979)	(472)	(468)
Net cash flows from/(used in) financing activities		62,431	97,649	102,530	(20,352)	(1,019)

		Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		137,400	(56,003)	(44,906)	(44,574)	30,946
Cash and cash equivalents at beginning of year/period		15,858	153,258	97,255	97,255	52,349
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		153,258	97,255	52,349	52,681	83,295
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	24	131,758	97,255	52,349	52,681	83,295
Non-pledged time deposits with original maturity of less than three months when acquired	24	21,500	–	–	–	–
Cash and cash equivalents as stated in the consolidated statements of cash flows and consolidated statements of financial position		153,258	97,255	52,349	52,681	83,295

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		As at 30 June
		2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investment in a subsidiary	*25*	41,951	41,951	44,097
Total non-current assets		41,951	41,951	44,097
CURRENT ASSETS				
Due from a subsidiary	*37(c)*	275,461	275,461	383,711
Cash and cash equivalents	*24*	3	5	7
Total current assets		275,464	275,466	383,718
NET CURRENT ASSETS		275,464	275,466	383,718
TOTAL ASSETS LESS CURRENT LIABILITIES		317,415	317,417	427,815
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss	*30*	274,525	289,521	401,491
Total non-current liabilities		274,525	289,521	401,491
Net assets		42,890	27,896	26,324
EQUITY				
Share capital	*31*	–	–	–
Reserves	*32*	42,890	27,896	26,324
Total equity		42,890	27,896	26,324

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 3 January 2018. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally involved in the production, distribution and licensing of broadcasting rights of TV/Web series ("drama series").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Development" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Strawbear Pictures Limited *(note (a))*	British Virgin Islands 9 January 2018	US$1,000	100%	–	Investment holding
Strawbear Film Limited *(note (a))*	Hong Kong 31 January 2018	US$1,000	–	100%	Investment holding
Nanjing Strawbear Business Consulting Co., Ltd. ("Nanjing Strawbear") (南京稻草熊商務諮詢有限公司)* *(note (b))*	People's Republic of China ("PRC"))/ Mainland China 17 September 2018	US$1,000,000	–	100%	Investment holding
Shanghai Strawbear Business Consulting Co., Ltd. ("Shanghai Strawbear") (上海稻草熊商務諮詢有限公司)* *(note (b))*	PRC/Mainland China 3 September 2018	US$1,000,000	–	100%	Investment holding
Jiangsu Strawbear Film Co., Ltd. ("Jiangsu Strawbear") (江蘇稻草熊影業有限公司)* *(note (c))*	PRC/Mainland China 13 June 2014	RMB10,000,000	–	100%	Investment in, production, distribution and licensing of broadcasting rights of drama series
Horgos Strawbear Film Co., Ltd. ("Horgos Strawbear") (霍爾果斯稻草熊影業有限公司)* *(note (d))*	PRC/Mainland China 4 August 2016	RMB3,000,000	–	100%	Investment in, production, distribution and licensing of broadcasting rights of drama series

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Strawbear Film Co., Ltd. ("Beijing Strawbear") (北京稻草熊影業有限公司)* *(note (d))*	PRC/Mainland China 2 September 2019	RMB3,000,000	–	100%	Investment in, production, distribution and licensing of broadcasting rights of drama series
Hangzhou Yide Cultural Creativity Co., Ltd. ("Hangzhou Yide") (杭州懿德文化創意有限公司)* *(note (e))*	PRC/Mainland China 25 June 2015	RMB12,500,000	–	100%	Engagement in the business of literature copyright agency and development
Nova Film Technology (Jiangsu) Co., Ltd. ("Nova Film") (諾華視創電影科技(江蘇)有限公司)* *(note (f))*	PRC/Mainland China 29 May 2012	RMB10,000,000	–	90.1%	Special effects editing and other post-production work for films and drama series
Wuxi Strawbear Culture Media Co., Ltd. ("Wuxi Strawbear") (無錫稻草熊文化傳媒有限公司)* *(note (d))*	PRC/Mainland China 4 June 2020	RMB1,000,000	–	60%	Screenplay development and assessment

Notes:

(a) No audited financial statements have been prepared for these entities since their date of incorporation, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(b) These entities are registered as wholly-foreign-owned enterprises under PRC law. No audited financial statements have been prepared for these entities since their date of incorporation.

(c) The entity is a limited liability enterprise established under PRC law. The statutory financial statements of Jiangsu Strawbear for the years ended 31 December 2017, 2018 and 2019 prepared under PRC Generally Accepted Accounting Principles were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

(d) These entities are limited liability enterprises established under PRC law. No audited financial statements have been prepared for these entities since their incorporation.

(e) This entity was acquired by Nanjing Strawbear on 31 January 2019. The statutory financial statements of Hangzhou Yide for the year ended 31 December 2019 prepared under PRC Generally Accepted Accounting Principles were audited by ZhongHui Certified Public Accountants LLP (中匯會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

(f) This entity was acquired by Jiangsu Strawbear on 23 June 2020.

* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Development" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 20 November 2018. As the Reorganisation only involved inserting new holding companies at the top of an existing company and has not resulted in any change of economic substances, the Historical Financial Information has been presented as a continuation of the existing company using the pooling of interests method as if the group structure had been in place at the beginning of the Relevant Periods.

Due to regulatory prohibitions on foreign ownership in the production, distribution and licensing of broadcasting rights of drama series business in the PRC, the principal business carried out by Jiangsu Strawbear, Horgos Strawbear and Beijing Strawbear (the "Consolidated Affiliated Entities") was prohibited or restricted from foreign ownership. The wholly owned subsidiary of the Company, Nanjing Strawbear, has entered into a series of contractual arrangements (the "Contractual Arrangements") with the Consolidated Affiliated Entities and their respective equity holders (hereafter the equity holders of the Consolidated Affiliated Entities referred to as the "Registered Shareholders"). The Contractual Arrangements enable Nanjing Strawbear to exercise effective control over the Consolidated Affiliated Entities and obtain substantially all economic benefits of the Consolidated Affiliated Entities. Accordingly, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries for the purpose of the Historical Financial Information and the Consolidated Affiliated Entities are consolidated in the Historical Financial Information for the Relevant Periods. Details of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements" in the Prospectus. The Group does not have any equity interests in the Consolidated Affiliated Entities.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses were established or acquired, where this is a shorter period. The consolidated statements of financial position of the Group as of 31 December 2017, 2018 and 2019 and 30 June 2020 have been prepared to present the assets and liabilities of the subsidiaries now comprising the Group using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2020, including HKFRS 9 *Financial Instruments*, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 16 *Leases*, together with the relevant transitional provisions, have been early adopted on a consistent basis by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendment to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[3]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKAS 41 and Illustrative Examples accompanying HKFRS 16[3]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. More specifically, the amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. In addition, management's expectations about events after the end of the reporting period, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. The amendments also clarify settlement of a liability refers to the transfer of cash, equity instruments, other assets or services that results in the extinguishment of the liability. The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted. The adoption of the amendments will change the classification of the financial liabilities at fair value through profit or loss from non-current to current because the holders have rights to convert preferred shares into ordinary shares at any time.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group has concluded that the adoption of these new and revised HKFRSs will not have material impact on the Group's financial position and financial performance.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statements of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at the end of each of the Relevant Periods. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statements of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statements of profit or loss and other comprehensive income in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statements of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Electronic equipment	19.0% – 31.7%
Vehicles	19.0%
Office equipment	19.0%
Leasehold improvements	20.0% – 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statements of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 3 to 5 years.

Trademarks

Trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years, which is shorter of legal registered period and the period over which the trademark is expected to generate net cash inflows from the commercialization of product.

Backlog

Backlog is stated at cost less any impairment loss and is amortised based on the consumption upon the fulfilment of the underlying contracts with customers.

Patents

Patents are stated at cost less any impairment loss and are amortised on the straight-line basis over their estimated useful lives of 8 years, which is determined based on weighted average legal registered periods of patents after considering the expected usage, technical obsolescence and estimates of useful lives of similar assets.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2-5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statements of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises and vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statements of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statements of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the consolidated statements of profit or loss and other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statements of profit or loss and other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities, financial liabilities at fair value through profit or loss, amounts due to a joint venture and a related party, dividend payable and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

The Group designated the preferred shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in profit or loss.

Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value recognised in profit or loss.

The preferred shares are classified as non-current liabilities because the holders of the preferred shares cannot demand the Company to redeem the preferred shares until at least 12 months after the end of each of the Relevant Periods.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss. If an entity revises its estimates of payments or receipts (excluding modifications in accordance with HKFRS 9.5.4.3 and changes in estimates of expected credit losses), it shall adjust the gross carrying amount of the financial asset or amortised cost of a financial liability (or group of financial instruments) to reflect actual and revised estimated contractual cash flows. The entity recalculates the gross carrying amount of the financial asset or amortised cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit impaired financial assets). The adjustment is recognised in profit or loss as income or expense.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories include the cost of completed drama series, drama series in production and undeveloped scripts and purchased copyrights or broadcasting rights of drama series. Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses.

The amounts of inventories recognised as cost of sales for a given period is determined using the drama series forecast computation method. Under this method, the amortisation of inventories and the accrual of participations and residuals is based on the proportion of the drama series' revenues recognised for such period to the drama series' estimated remaining ultimate revenues (i.e., the total revenue to be received throughout a drama series' life cycle).

Accounting for the co-investment arrangements and co-financing arrangements

Under the co-investment arrangements where the Group acts as an executive producer, the investment from the other co-investors is considered as the selling of shares of interests and copyrights in drama series to such co-investors by the Group. If the co-investors bear full risk for the shares of interests and copyrights of drama series they invested in, the amounts received from such co-investors are recognised as reductions of the costs of the drama series upon the receipt of the license for distribution of drama series from the National Radio and Television Administration of the PRC ("NRTA").

When co-investors are not entitled to any shares of copyrights in drama series they invested in under co-investment arrangements and the Group is obligated to share the licensing revenue with such co-investors at a fixed return basis or based on the respective investment ratio, the amounts received from such co-investors are recognised as financial liabilities.

The amount paid under co-financing arrangements to the third-party investors by the Group in order to obtain shares of legal rights (i.e. copyrights, broadcasting rights) of drama series is recognised as prepayments under the co-investment arrangements and reclassified as inventories upon the receipt of the license for distribution of drama series from the NRTA.

The amount paid under co-financing arrangements to third-party investors by the Group where the Group are not entitled to any shares of legal rights (i.e. copyrights, broadcasting rights) of the drama series is recognised as financial assets.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group is mainly involved in the licensing of broadcasting rights of drama series. Revenue is measured based on the fair value of consideration received or receivable specified in the contracts with customers.

(a) Licensing of broadcasting rights of drama series

Revenue from the licensing of broadcasting rights of drama series is recognised at the point in time when the drama series are available to the licensee, generally on delivery of the drama series after the approval from the NRTA or receipt of the license for distribution of drama series from the provincial counterpart of the NRTA when a customer is provided with a right to use the drama series as it exists at the point in time when the license is granted. The Group does not expect to have any contracts where the period between the transfer of the licensed drama series to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(b) Production of made-to-order drama series

Revenue from the production of made-to-order drama series is recognised over time, using an input method to measure progress towards complete production of made-to-order drama series, because the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced.

Broadcasting are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Net licensing fees received from investments in drama series as a non-executive producer with share of legal rights (i.e. copyrights, broadcasting rights) are recognised when the investors' right to receive payment has been established, it is probable that the economic benefits associated with the investment income will flow to the Group and the amount can be measured reliably. Revenue of this type is measured at the amount of net licensing fees paid to the Group and the relevant inventories are recognised in cost of sales when the revenue is recognised.

Net licensing fees received from investments in drama series without share of legal rights (i.e. copyrights, broadcasting rights) are recognised in accordance with HKFRS 9. Revenue of this type is measured at the amount of changes in fair value of these financial assets which accumulatively and eventually equals to the total of the net licensing fees paid to the Group less the sum paid by the Group under the co-financing arrangement.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the shares at the date at which they are granted. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period, further details of which are given in note 34 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension schemes

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to profit or loss as incurred.

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government and the central government, respectively. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the Historical Financial Information. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their profits or losses are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statements of profit or loss and other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Contractual Arrangements

The Consolidated Affiliated Entities are engaged in the production, distribution and licensing of broadcasting rights of drama series. Under the scope of "Special Management Measures for Access of Foreign Investment (2020 Edition)", foreign investors are prohibited to invest in such business.

As disclosed in note 2.1 to the Historical Financial Information, as part of the Reorganisation, the Group exercises control over the Consolidated Affiliated Entities and enjoys substantially all economic benefits of the Consolidated Affiliated Entities through the Contractual Arrangements.

The Group does not have any equity interests in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over them. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of the Consolidated Affiliated Entities in the Historical Financial Information during the Relevant Periods.

Principal versus agent

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal that obtains control of any of the following: (i) a good or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; (iii) a good or service from the other party that the Group then combines with other goods or services in providing the specified good or service to the customer. If control is unclear, and when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

Estimation uncertainty

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

Provision and write-down of inventories to net realisable value

The Group's management reviews the conditions of inventories of the Group and makes provision for obsolete and slow-moving inventory items. The Group carries out an inventory review on a project-by-project basis at the end of each Relevant Periods and makes provision for obsolete projects. Net realisable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of producing and distributing drama series of a similar nature. The Group's management reassesses the estimation at the end of each of the Relevant Periods.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. All non-financial assets of the Group are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing period and days past due for groups of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical expected default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as the debtors and the economic environment. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical expected default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical expected default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customers' actual default in the future. The provision for impairment of trade receivables at 31 December 2017, 2018 and 2019 and 30 June 2020 amounted to RMB4,630,000, RMB4,957,000, RMB6,485,000 and RMB12,372,000, respectively, details of which are set out in note 20 to the Historical Financial Information.

Provision for expected credit losses on other receivables

The Group has applied the general approach to provide for expected credit losses for other receivables and considered the default event, historical loss rate and adjusted for forward-looking macroeconomic data in calculating the expected credit loss rate, details of which are set out in note 21 to the Historical Financial Information.

Amortisation of inventories

The amount of inventories recognised as costs of sales for a given period is determined using the revenue forecast computation method. Under this method, the amortisation of inventories and the accrual of participations and residuals are based on the proportion of the drama series' revenues recognised for such period to the drama series' estimated remaining ultimate revenues (i.e., the total revenue to be received throughout a drama series' life cycle).

Management regularly reviews the basis of the amortisation and will adjust the amortisation method when expected changes in the drama series' estimated remaining ultimate revenues arise.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognised tax losses at 31 December 2017, 2018 and 2019 and 30 June 2020 were nil, RMB13,140,000, RMB13,608,000 and RMB15,836,000, respectively. Further details are contained in note 29 to the Historical Financial Information.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill at 31 December 2017, 2018 and 2019 and 30 June 2020 were nil, nil, RMB108,341,000 and RMB112,983,000, respectively. Further details are given in note 15 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

During the Relevant Periods and the six months ended 30 June 2019, the Group operated within one geographical segment because all of the Group's revenue was generated from customers located in Mainland China. All of the non-current assets of the Group were located in Mainland China.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the Relevant Periods and the six months ended 30 June 2019 is set out below:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Customer 1	121,405	N/A*	N/A*	N/A*	60,708
Customer 2	116,226	244,703	208,484	92,862	401,278
Customer 3	116,226	N/A*	N/A*	68,196	N/A*
Customer 4	57,384	175,651	172,824	172,824	67,523
Customer 5	N/A*	120,283	N/A*	N/A*	N/A*
Customer 6	N/A*	N/A*	140,094	140,094	N/A*

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the Relevant Periods and the six months ended 30 June 2019.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue from contracts with customers	529,767	670,770	760,245	643,041	575,004
Revenue from other sources					
Net licensing fee received from investments in drama series as a non-executive producer with share of copyrights	3,663	8,339	770	622	4,828
Net licensing fee received from investments in drama series as a non-executive producer without share of copyrights	9,434	–	4,082	4,082	–
	542,864	679,109	765,097	647,745	579,832

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Type of goods or services					
Licensing of the broadcasting rights of self-produced drama series	95,804	445,295	571,412	459,388	480,848
Licensing of the broadcasting rights of outright-purchased drama series	423,061	224,174	183,272	183,272	2,288
Made-to-order drama series production	5,178	–	–	–	84,906
Others	5,724	1,301	5,561	381	6,962
Total revenue from contracts with customers	529,767	670,770	760,245	643,041	575,004

Geographical markets

All of the Group's revenue was generated from customers located in Mainland China during the Relevant Periods and the six months ended 30 June 2019.

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Timing of revenue recognition					
Goods transferred at a point in time	524,589	670,770	760,245	643,041	490,098
Services transferred over time	5,178	–	–	–	84,906
Total revenue from contracts with customers	529,767	670,770	760,245	643,041	575,004

The following table shows the amounts of revenue recognised that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of each of the Relevant Periods	17,640	77,048	41,758	39,088	227,548

All revenue arising from made-to-order drama series production for each of the Relevant Periods was recognised from performance obligations partially satisfied in previous periods due to constraints on variable consideration.

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Licensing of the broadcasting rights of self-produced drama series

The performance obligation is satisfied as the broadcasting rights are authorised and the customer can begin exhibiting or selling the drama series and payment is generally due within three months to six months.

Licensing of the broadcasting rights of outright-purchased drama series

The performance obligation is satisfied as the broadcasting rights are authorised and payment is generally due within three months to six months.

Made-to-order drama series production

The performance obligation is satisfied as the drama series are complete in accordance with the terms of the contract and the customer can begin exhibiting or selling the drama series.

Others

The revenue received from the licensing of drama series' side products including games, advertisements, sale of script copyrights and others and payment is generally due within three months to six months.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2017, 2018 and 2019 and 30 June 2020 are as follows:.

	As at 31 December			**As at 30 June**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:				
Within one year	269,709	180,190	316,741	19,557

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Government grants – related to income *(note)*	2,540	900	20,396	14,000	2,415
Bank interest income	706	613	407	200	314
Investment income from financial assets at fair value through profit or loss	637	49	–	–	–
Investment income from the co-investment arrangements in drama series	–	–	4,125	4,121	5
Interest income from loans receivable	125	2,849	9,415	3,958	6,788
Net foreign exchange differences	–	–	–	–	677
Gain on disposal of items of property, plant and equipment	–	–	–	–	152
Gain on disposal of an associate	–	–	–	–	56
Others	–	–	–	–	41
	4,008	4,411	34,343	22,279	10,448

Note:

The government grants mainly represent incentives awarded by the local governments to support the Group's operation. There were no unfulfilled conditions or contingencies attached to these government grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Six months ended 30 June	
	Notes	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Cost of inventories sold		390,812	455,426	657,457	574,962	415,790
Depreciation of property, plant and equipment	*13*	348	846	1,179	575	632
Depreciation of right-of-use assets	*14(a)*	891	1,583	945	457	552
Amortisation of other intangible assets*	*16*	5	4	4	2	28,402
Government grants	*5*	(2,540)	(900)	(20,396)	(14,000)	(2,415)
Bank interest income	*5*	(706)	(613)	(407)	(200)	(314)
Interest income from loans receivable	*5*	(125)	(2,849)	(9,415)	(3,958)	(6,788)
Changes in fair value of financial liabilities at fair value through profit or loss		–	(936)	14,996	4,328	3,720
Lease payments not included in the measurement of lease liabilities	*14(c)*	317	240	1,088	602	425
Net foreign exchange differences	*5*	–	–	–	–	(677)
Listing expenses		–	–	–	–	12,087
Auditor's remuneration		189	1,095	219	200	276
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):						
Wages and salaries		775	1,450	2,124	999	1,466
Pension scheme contributions		158	210	222	124	42
Staff welfare expenses		208	163	343	243	126
		1,141	1,823	2,689	1,366	1,634
Loss/(gain) on disposal of items of property, plant and equipment		–	10	–	–	(152)
Impairment of trade receivables	*20*	3,826	1,909	1,528	936	5,887
Write-down of inventories to net realisable value**		–	13,820	–	–	–

* The amortisation of other intangible assets is included in "Cost of sales" and "Administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

** Write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statements of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Interest on bank loans	1,100	2,182	2,597	753	3,145
Interest on other borrowings from third parties	64	332	557	245	864
Interest on other borrowings from an investor	21,578	23,422	–	–	–
Interest on borrowings from a related party	–	6,108	4,913	2,395	1,246
Interest on discounted notes receivable	–	466	124	119	–
Interest expense under the co-investment arrangements in drama series	–	2,282	1,467	1,463	226
Interest on lease liabilities	50	79	76	43	32
	22,792	34,871	9,734	5,018	5,513

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Liu Xiaofeng, Mr. Chen Chen, Ms. Zhang Qiuchen, and Ms. Zhai Fang were appointed as executive directors of the Company on 24 June 2020. Mr. Wang Xiaohui and Mr. Wang Jun were appointed as non-executive directors of the Company on 24 June 2020. Mr. Liu Xiaofeng was appointed as the chief executive of the Company on 24 June 2020.

Certain of the directors received remuneration from the subsidiary now comprising the Group for their appointment as directors of this subsidiary. The remuneration of the directors as recorded is set out below:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	775	1,211	1,452	628	699
Pension scheme contributions	66	148	190	70	23
Equity-settled share award expense	–	41,951	–	–	2,146
	841	43,310	1,642	698	2,868

Independent non-executive directors

There were no fees and other emoluments payable to the independent non-executive director during the Relevant Periods and the six months ended 30 June 2019.

Executive directors

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017					
Executive directors:					
Mr. Liu Xiaofeng	–	238	12	–	250
Mr. Chen Chen	–	184	12	–	196
Ms. Zhang Qiuchen	–	154	12	–	166
Ms. Zhai Fang	–	199	30	–	229
	–	775	66	–	841

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2018					
Executive directors:					
Mr. Liu Xiaofeng	–	407	43	–	450
Mr. Chen Chen	–	298	32	–	330
Ms. Zhang Qiuchen	–	209	27	–	236
Ms. Zhai Fang	–	297	46	41,951	42,294
	–	1,211	148	41,951	43,310

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019					
Executive directors:					
Mr. Liu Xiaofeng	–	557	68	–	625
Mr. Chen Chen	–	387	50	–	437
Ms. Zhang Qiuchen	–	210	34	–	244
Ms. Zhai Fang	–	298	38	–	336
	–	1,452	190	–	1,642

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2019 (unaudited)					
Executive directors:					
Mr. Liu Xiaofeng	–	227	19	–	246
Mr. Chen Chen	–	162	15	–	177
Ms. Zhang Qiuchen	–	89	15	–	104
Ms. Zhai Fang	–	150	21	–	171
	–	628	70	–	698

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2020					
Executive directors:					
Mr. Liu Xiaofeng	–	269	6	2,146	2,421
Mr. Chen Chen	–	190	6	–	196
Ms. Zhang Qiuchen	–	101	5	–	106
Ms. Zhai Fang	–	139	6	–	145
	–	699	23	2,146	2,868

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the six months ended 30 June 2019.

During the Relevant Periods and the six months ended 30 June 2019, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the six months ended 30 June 2019 included four, four, four, four and four directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the Relevant Periods and the six months ended 30 June 2019 of the remaining one, one, one, one and one highest paid employee, respectively, who is neither a director nor chief executive of the Company are as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	79	187	192	97	91
Pension scheme contributions	12	29	24	13	4
	91	216	216	110	95

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
				(Unaudited)	
Nil to HK$1,000,000	1	1	1	1	1

During the Relevant Periods and the six months ended 30 June 2019, no remuneration was paid by the Group to the non-director and non-chief executive highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the Relevant Periods and the six months ended 30 June 2019.

As stipulated in Cai Shui [2011] No. 112, enterprises newly established in Xin Jiang Kashgar/Horgos special economic areas during the period from 2010 to 2020 could enjoy Enterprise Income Tax ("EIT") exemption for five years starting from the year in which the first revenue was generated. Horgos Strawbear enjoyed the benefit under the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang《新疆困難地區重點鼓勵發展產業企業所得税優惠目錄》, and was entitled to such EIT exemption for the year ended 31 December 2019. According to the Filing Record of Preferential EIT《企業所得税優惠事項備案表》, Horgos Strawbear obtained the approval from the PRC tax bureau for entitlement of EIT exemption from 1 January 2019 to 31 December 2023.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law. Preferential tax treatment is available to Nova Film, since it was recognised as High and New Technology Enterprises, and was entitled to a preferential tax rate of 15% from 1 January 2016.

(a) The major components of the income tax expense of the Group during the Relevant Periods and the six months ended 30 June 2019 are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Current – Mainland China charge for the year/period	30,551	39,357	27,474	17,834	29,601
Deferred tax *(note 29)*	(1,947)	(9,722)	(11,902)	(9,297)	(9,067)
Total tax charge for the year/period	28,604	29,635	15,572	8,537	20,534

(b) A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before tax	92,634	40,148	65,972	46,335	74,662
Tax at the statutory tax rate of 25% in Mainland China	23,159	10,037	16,493	11,584	18,666
Effect of tax rate differences in other jurisdictions	–	(234)	3,749	1,082	930
Tax effect of tax exemption granted to subsidiaries	–	–	(4,399)	(4,475)	–
Expenses not deductible for tax*	5,455	16,547	590	79	381
Adjustments to current income tax of previous years	–	–	(978)	–	–
Tax losses utilised from previous years	(10)	–	–	–	–
Tax losses not recognised	–	3,285	117	267	557
Tax charge at the Group's effective tax rate	28,604	29,635	15,572	8,537	20,534

* Expenses not deductible for tax mainly consist of equity-settled share award expense, excess of advertising and entertainment expenses over deduction limit and expenses without invoices. These expenses are not to be deductible for tax.

11. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Dividends	–	100,000	1,911	–	–

For the year ended 31 December 2018, a subsidiary of the Group, Jiangsu Strawbear, declared dividends of RMB100,000,000 to its then shareholders. The dividends have not been paid by 30 June 2020.

For the year ended 31 December 2019, a subsidiary of the Group, Jiangsu Blue Boiling Point Film and Culture Co., Ltd., which was deregistered on 20 December 2019, declared dividends of RMB1,911,000 to its then shareholder. The dividends with amounts of RMB1,911,000 were paid during the six months ended 30 June 2020.

No dividend has been paid or declared by the Company since its date of incorporation and up to 30 June 2020.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of the accountant's report, is not considered meaningful due to the Reorganisation and the basis of presentation of the Historical Financial Information of the Group for the Relevant Periods and the six months ended 30 June 2019 as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment	Vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017						
At 1 January 2017:						
Cost	59	1,487	11	–	–	1,557
Accumulated depreciation	(13)	(197)	(6)	–	–	(216)
Net carrying amount	46	1,290	5	–	–	1,341
At 1 January 2017, net of accumulated depreciation	46	1,290	5	–	–	1,341
Additions	27	608	–	–	–	635
Depreciation provided during the year	(16)	(328)	(4)	–	–	(348)
At 31 December 2017, net of accumulated depreciation	57	1,570	1	–	–	1,628
At 31 December 2017:						
Cost	86	2,095	11	–	–	2,192
Accumulated depreciation	(29)	(525)	(10)	–	–	(564)
Net carrying amount	57	1,570	1	–	–	1,628

	Electronic equipment	Vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018						
At 1 January 2018:						
Cost	86	2,095	11	–	–	2,192
Accumulated depreciation	(29)	(525)	(10)	–	–	(564)
Net carrying amount	57	1,570	1	–	–	1,628
At 1 January 2018, net of accumulated depreciation	57	1,570	1	–	–	1,628
Additions	94	1,412	43	603	–	2,152
Disposals	(13)	–	–	–	–	(13)
Depreciation provided during the year	(23)	(617)	(5)	(201)	–	(846)
At 31 December 2018, net of accumulated depreciation	115	2,365	39	402	–	2,921
At 31 December 2018:						
Cost	157	3,507	43	603	–	4,310
Accumulated depreciation	(42)	(1,142)	(4)	(201)	–	(1,389)
Net carrying amount	115	2,365	39	402	–	2,921
31 December 2019						
At 1 January 2019:						
Cost	157	3,507	43	603	–	4,310
Accumulated depreciation	(42)	(1,142)	(4)	(201)	–	(1,389)
Net carrying amount	115	2,365	39	402	–	2,921
At 1 January 2019, net of accumulated depreciation	115	2,365	39	402	–	2,921
Additions	27	–	103	–	–	130
Acquisition of a subsidiary *(note 33(a))*	72	345	165	211	–	793
Depreciation provided during the year	(50)	(733)	(74)	(322)	–	(1,179)
At 31 December 2019, net of accumulated depreciation	164	1,977	233	291	–	2,665
At 31 December 2019:						
Cost	411	4,254	526	1,263	–	6,454
Accumulated depreciation	(247)	(2,277)	(293)	(972)	–	(3,789)
Net carrying amount	164	1,977	233	291	–	2,665

	Electronic equipment	Vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 June 2020						
At 1 January 2020:						
Cost	411	4,254	526	1,263	–	6,454
Accumulated depreciation	(247)	(2,277)	(293)	(972)	–	(3,789)
Net carrying amount	164	1,977	233	291	–	2,665
At 1 January 2020, net of accumulated depreciation	164	1,977	233	291	–	2,665
Additions	–	916	8	451	269	1,644
Acquisition of a subsidiary *(note 33(b))*	3,829	-	287	32	2,604	6,752
Disposals	–	(62)	–	–	–	(62)
Depreciation provided during the period	(35)	(389)	(42)	(166)	–	(632)
At 30 June 2020, net of accumulated depreciation	3,958	2,442	486	608	2,873	10,367
At 30 June 2020:						
Cost	13,049	4,603	1,624	1,768	2,873	23,917
Accumulated depreciation	(9,091)	(2,161)	(1,138)	(1,160)	–	(13,550)
Net carrying amount	3,958	2,442	486	608	2,873	10,367

14. LEASES

The Group as a lessee

The Group has lease contracts for office premises used in its operations. Leases of office premises generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

	Office premises
	RMB'000
As at 1 January 2017	1,496
Additions	2,708
Depreciation provided during the year *(note 6)*	(891)
As at 31 December 2017 and at 1 January 2018	3,313
Depreciation provided during the year *(note 6)*	(1,583)
As at 31 December 2018 and at 1 January 2019	1,730
Additions	109
Depreciation provided during the year *(note 6)*	(945)
As at 31 December 2019 and at 1 January 2020	894
Additions	3,638
Additions as a result of acquisition of a subsidiary *(note 33(b))*	91
Depreciation provided during the period *(note 6)*	(552)
At 30 June 2020	4,071

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December			**As at 30 June**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at 1 January	1,419	2,872	1,379	509
New leases	2,252	–	109	3,638
Additions as a result of acquisition of a subsidiary *(note 33(b))*	–	–	–	91
Accretion of interest recognised during the year/period	50	79	76	32
Payments	(849)	(1,572)	(1,055)	(500)
Carrying amount at end of year/period	2,872	1,379	509	3,770
Analysed into:				
Current portion	1,493	907	509	896
Non-current portion	1,379	472	–	2,874

The maturity analysis of lease liabilities is disclosed in note 40 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on lease liabilities	50	79	76	43	32
Depreciation charge of right-of-use assets	891	1,583	945	457	552
Expenses relating to short term leases (included in administrative expenses)	317	240	1,088	602	425
Total amount recognised in profit or loss	1,258	1,902	2,109	1,102	1,009

(d) The total cash outflow for leases is disclosed in note 35 to the Historical Financial Information.

15. GOODWILL

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost and carrying amount at beginning of year/period	–	–	–	108,341
Acquisition of a subsidiary *(note 33)*	–	–	108,341	4,642
Cost and net carrying amount at end of year/period	–	–	108,341	112,983

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

(a) Hangzhou Yide cash-generating unit which is engaged in the production of drama series; and

(b) Nova Film cash-generating unit which is engaged in special effects editing and other post-production work for films and drama series.

The recoverable amounts of the Hangzhou Yide cash-generating unit and Nova Film cash-generating unit have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The pre-tax discount rate applied to cash flow projections and the growth rate, gross profit margin and annual revenue growth rate used to extrapolate the cash flows of the Hangzhou Yide cash-generating unit and Nova Film cash-generating unit beyond the five-year period are as follows:

Hangzhou Yide cash-generating unit

	As at 31 December 2019	As at 30 June 2020
	%	%
Gross profit margin	14	14
Terminal growth rate	3	3
Pre-tax discount rate	20.9	19.1

Nova Film cash-generating unit

	As at 30 June 2020
	%
Annual revenue growth rate	7.5
Terminal growth rate	3
Pre-tax discount rate	19.6

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	As at 31 December 2019	As at 30 June 2020
	RMB'000	*RMB'000*
Hangzhou Yide cash-generating unit	108,341	108,341
Nova Film cash-generating unit	–	4,642
Total	108,341	112,983

Key assumptions used in the value in use calculation

The calculation of value in use is based on the following assumptions:

Cash-generating units	Key assumptions
Hangzhou Yide	• Gross profit margin and operating expenses • Pre-tax discount rates • Growth rates
Nova Film	• Annual revenue growth rate • Pre-tax discount rates • Growth rates

Gross profit margin and operating expenses – Gross profit margin are based on the average gross profit margin achieved in the year immediately before the budget year and are increased over the budget period for anticipated efficiency improvements. Estimates on operating expenses reflect management's commitment to maintain them at an acceptable level.

Annual revenue growth rate – the predicted revenue growth rate for the five years subsequent to the date of assessment is based on the historical data and management's expectation on the future market.

Pre-tax discount rates – the rates reflect management's estimate of the risks specific to the unit.

Growth rates – the rates are based on published industry research.

The values assigned to the key assumptions on gross profit margin and operating expenses, annual revenue growth rate, discount rates and growth rates are consistent with management's past experience and external information sources.

As at 31 December 2019, the recoverable amount of Hangzhou Yide cash-generating unit to which goodwill is allocated exceeded its carrying amount by RMB39,306,000. As at 30 June 2020, the recoverable amounts of Hangzhou Yide cash-generating unit and Nova Film cash-generating unit to each of which goodwill is allocated exceeded their carrying amounts by RMB13,079,000 and RMB114,000, respectively. The directors did not identify an impairment for goodwill.

Hangzhou Yide cash-generating unit

Decreases in the gross profit margin and operating expenses or rises in the pre-tax discount rate as follows (with other assumptions remaining unchanged) would result in Hangzhou Yide cash-generating unit's recoverable amount equal to its carrying amount:

	As at 31 December 2019	**As at 30 June 2020**
	%	%
Gross profit margin and operating expenses	3.02	1.13
Pre-tax discount rate	6.54	1.50

Nova Film cash-generating unit

Decreases in the annual revenue growth rate or rises in the pre-tax discount rate as follows (with other assumptions remaining unchanged) would result in Nova Film cash-generating unit's recoverable amount equal to its carrying amount:

	As at 30 June 2020
	%
Annual revenue growth rate	0.04
Pre-tax discount rate	0.07

In the opinion of the directors, except for the above, any reasonably possible change in the other key assumptions on which the recoverable amounts are based would not cause any of the cash-generating units' carrying amounts to exceed their recoverable amounts as at 31 December 2019 and 30 June 2020.

16. OTHER INTANGIBLE ASSETS

	Software	Trademarks	Backlog	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017					
At 1 January 2017:					
Cost	3	30	–	–	33
Accumulated amortisation	–	–	–	–	–
Net carrying amount	3	30	–	–	33
Cost at 1 January 2017, net of accumulated amortisation	3	30	–	–	33
Amortisation provided during the year	(1)	(4)	–	–	(5)
At 31 December 2017	2	26	–	–	28
At 31 December 2017:					
Cost	3	30	–	–	33
Accumulated amortisation	(1)	(4)	–	–	(5)
Net carrying amount	2	26	–	–	28
31 December 2018					
At 1 January 2018:					
Cost	3	30	–	–	33
Accumulated amortisation	(1)	(4)	–	–	(5)
Net carrying amount	2	26	–	–	28
Cost at 1 January 2018, net of accumulated amortisation	2	26	–	–	28
Amortisation provided during the year	(1)	(3)	–	–	(4)
At 31 December 2018	1	23	–	–	24
At 31 December 2018:					
Cost	3	30	–	–	33
Accumulated amortisation	(2)	(7)	–	–	(9)
Net carrying amount	1	23	–	–	24

	Software	Trademarks	Backlog	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019					
At 1 January 2019:					
Cost	3	30	–	–	33
Accumulated amortisation	(2)	(7)	–	–	(9)
Net carrying amount	1	23	–	–	24
Cost at 1 January 2019, net of accumulated amortisation	1	23	–	–	24
Acquisition of a subsidiary *(note 33(a))*	–	–	42,900	–	42,900
Amortisation provided during the year	(1)	(3)	–	–	(4)
At 31 December 2019	–	20	42,900	–	42,920
At 31 December 2019:					
Cost	3	30	42,900	–	42,933
Accumulated amortisation	(3)	(10)	–	–	(13)
Net carrying amount	–	20	42,900	–	42,920
30 June 2020					
At 1 January 2020:					
Cost	3	30	42,900	–	42,933
Accumulated amortisation	(3)	(10)	–	–	(13)
Net carrying amount	–	20	42,900	–	42,920
Cost at 1 January 2020, net of accumulated amortisation	–	20	42,900	–	42,920
Acquisition of a subsidiary *(note 33(b))*	382	–	–	12,300	12,682
Amortisation provided during the period	–	(2)	(28,400)	–	(28,402)
At 30 June 2020	382	18	14,500	12,300	27,200
At 30 June 2020:					
Cost	587	30	42,900	12,300	55,817
Accumulated amortisation	(205)	(12)	(28,400)	–	(28,617)
Net carrying amount	382	18	14,500	12,300	27,200

At 30 June 2020, the Group's patents with a net carrying amount of approximately RMB12,300,000 was pledged to secure bank loan facilities granted to the Group (note 28).

17. INVESTMENT IN A JOINT VENTURE

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	–	–	14,000	14,000

The Group's balances and transactions with the joint venture are disclosed in note 37 to the Historical Financial Information.

Particulars of the joint venture are as follows:

Name	Place and date of incorporation and business	Nominal value of issued/ registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Nanjing Huawen Strawbear Culture Partnership (Limited Partnership) ("Nanjing Huawen")	PRC/Mainland China 29 November 2019	RMB71,000,000	19.72%	Production of drama series

Nanjing Huawen is accounted for as a joint venture considering that the decisions about the key operating activities of Nanjing Huawen require the unanimous consent of all of its investors.

18. INVESTMENT IN AN ASSOCIATE

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	–	300	300	–

The Group's balances of prepayments, other receivables and other assets and transactions with the associate are disclosed in notes 21 and 37 to the Historical Financial Information, respectively.

The associate was disposed of by the Group to a third party at a cash consideration of RMB356,000 in May 2020, resulting in a net gain on disposal of RMB56,000.

Particulars of the associate are as follows:

Name	Place and date of incorporation and place of business	Nominal value of issued/ registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Wuxi Youkong Yinghua Culture Media Co., Ltd. ("Wuxi Youkong")	PRC/ Mainland China 1 November 2017	RMB1,500,000	20%	Screenplay development and assessment

19. INVENTORIES

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	19,916	25,882	60,873	69,523
Work in progress	102,750	308,351	462,944	494,138
Finished goods	191,843	202,431	395,302	117,460
	314,509	536,664	919,119	681,121

20. TRADE AND NOTES RECEIVABLES

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	293,481	178,301	491,881	769,006
Notes receivable	1,000	7,000	–	20,000
	294,481	185,301	491,881	789,006
Impairment	(4,630)	(4,957)	(6,485)	(12,372)
	289,851	180,344	485,396	776,634

The Group's trading terms with its customers are mainly on credit. The credit period is generally 15 to 365 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction dates and net of loss allowance, is as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	141,952	76,738	340,901	373,644
3 to 6 months	49,740	–	817	2,820
6 to 12 months	51,793	920	125,626	297,513
1 to 2 years	45,366	66,919	12,882	82,420
2 to 3 years	–	28,767	5,170	237
	288,851	173,344	485,396	756,634

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on ageing and past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2017

	Trade receivables ageing					
	Current	**Less than 1 year and past due**	**1 to 2 years and past due**	**2 to 3 years and past due**	**More than 3 years and past due**	**Total**
Expected credit loss rate	*Note (a)*	1.00%	6.70%	–	–	1.58%
Gross carrying amount RMB'000	107,843	137,012	48,626	–	–	293,481
Expected credit losses RMB'000	–	1,370	3,260	–	–	4,630

As at 31 December 2018

	Trade receivables ageing					
	Current	**Less than 1 year and past due**	**1 to 2 years and past due**	**2 to 3 years and past due**	**More than 3 years and past due**	**Total**
Expected credit loss rate	*Note (a)*	*Note (a)*	1.65%	11.76%	–	2.78%
Gross carrying amount RMB'000	25,663	51,995	68,043	32,600	–	178,301
Expected credit losses RMB'000	–	–	1,124	3,833	–	4,957

As at 31 December 2019

	Trade receivables ageing					
	Current	**Less than 1 year and past due**	**1 to 2 years and past due**	**2 to 3 years and past due**	**More than 3 years and past due**	**Total**
Expected credit loss rate	*Note (a)*	*Note (a)*	2.07%	12.43%	100.00%	1.32%
Gross carrying amount RMB'000	114,892	358,674	6,801	5,904	5,610	491,881
Expected credit losses RMB'000	–	–	141	734	5,610	6,485

As at 30 June 2020

	Trade receivables ageing					
	Current	**Less than 1 year and past due**	**1 to 2 years and past due**	**2 to 3 years and past due**	**More than 3 years and past due**	**Total**
Expected credit loss rate	*Note (a)*	*Note (a)*	2.23%	81.43%	100.00%	1.61%
Gross carrying amount RMB'000	349,115	331,084	77,934	1,276	9,597	769,006
Expected credit losses RMB'000	–	–	1,736	1,039	9,597	12,372

Note:

(a) The Group estimated the expected credit loss rate to be minimal on the current trade receivables and trade receivables aged less than 1 year and past due.

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	804	4,630	4,957	6,485
Impairment losses recognised *(note 6)*	3,826	1,909	1,528	5,887
Amount written off as uncollectible	–	(1,582)	–	–
At end of year/period	4,630	4,957	6,485	12,372

Included in the Group's trade receivables were amounts due from the Group's related parties of RMB37,960,000, nil, RMB270,522,000 and RMB360,772,000 as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, which were repayable on credit terms similar to those offered to the major customers of the Group.

The Group's notes receivable were all aged within one year and were neither past due nor impaired.

As at 31 December 2019 and 30 June 2020, the Group's trade receivables with an aggregate net carrying value of approximately RMB120,000,000 and RMB120,000,000, respectively, were pledged to secure the bank loans granted to the Group (note 28).

As at 31 December 2017, 2018 and 2019 and 30 June 2020, notes receivable of RMB1,000,000, RMB7,000,000, nil and RMB20,000,000, respectively, whose fair values approximate to their carrying values were classified as financial assets through other comprehensive income under HKFRS 9. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant during the Relevant Periods.

At 31 December 2017, 2018 and 2019 and 30 June 2020, certain notes receivable accepted by banks in Mainland China (the "Discounted Notes") were discounted to the banks in Mainland China with a carrying amount in aggregate of nil, RMB5,000,000, nil and nil, respectively. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Discounted Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has not transferred substantially all risks and rewards relating to the Discounted Notes. The maximum exposure to loss from the Group's Continuing Involvement in the Discounted Notes and the undiscounted cash flows to repurchase these Discounted Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Discounted Notes are not significant. During the Relevant Periods, the Group recognised the interest expense on the discounted notes receivable amounting to nil, RMB466,000, RMB124,000 and nil, respectively.

The Group recognised the proceeds received from the discount of the remaining Discounted Notes with amounts of nil, RMB5,000,000, nil and nil as short-term loans as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively (note 28), because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Discounted Notes.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments under the co-investment arrangements	19,670	4,331	45,448	74,397
Prepayments *(note a)*	44,229	114,477	113,041	99,728
Deductible input value-added tax	12,965	23,782	13,244	2,791
Deposits and other receivables	7,117	6,648	8,493	4,082
Prepaid listing expenses	–	–	–	3,687
Loans receivable *(note b)*	–	95,260	160,680	69,327
	83,981	244,498	340,906	254,012

Notes:

(a) Included in the prepayments, other receivables and other assets are prepayments to the Group's related parties of RMB724,000, RMB3,490,000, RMB3,310,000 and RMB3,310,000 as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

(b) Loans receivable represent the financial investments in certain drama series and loans provided to third parties. Included in the loans receivable, nil, RMB79,766,000, RMB116,126,000 and RMB35,862,000 as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, were the financial investments in certain drama series provided to third parties. The Group made an investment in certain drama series under arrangements, under which the Group is entitled to a fixed investment return based on the principal investment amount, agreed rate of return and investment period rather than exposure to the risk of variable returns of the invested drama series. The remaining balances represent loans provided to third parties.

As at 31 December 2018

	Effective interest rate	Maturity	RMB'000
Denominated in RMB	13%	On demand	29,766
Denominated in RMB	10%	On demand	50,000

As at 31 December 2019

	Effective interest rate	Maturity	RMB'000
Denominated in RMB	13%	On demand	29,766
Denominated in RMB	12%	31 December 2020	15,600
Denominated in RMB	12%	On demand	70,760

As at 30 June 2020

	Effective interest rate	Maturity	RMB'000
Denominated in RMB	12%	31 December 2020	15,600
Denominated in RMB	12%	On demand	20,262

An impairment analysis was performed at the end of each of the Relevant Periods. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group estimated that the expected loss rate for loans receivable, deposits and other receivables was minimal under the 12-month expected credit loss method.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at fair value	20,000	–	–	–

The above unlisted investments were wealth management products issued by licensed financial institutions in Mainland China with a maturity period within one year. The fair values of the financial assets approximate to their costs plus expected interest. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. RESTRICTED CASH

At 31 December 2017, 2018 and 2019 and 30 June 2020, restricted bank balances of nil, nil, RMB54,312,000 and RMB18,000, respectively, represent the cash in a bank account received from the joint venture for the production of drama series, which shall only be used with the consent from the joint venture and the Group.

24. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	131,758	97,255	52,349	83,295
Time deposits	21,500	–	–	–
Cash and cash equivalents	153,258	97,255	52,349	83,295

The Company

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	3	5	7
Cash and cash equivalents	3	5	7

At 31 December 2017, 2018 and 2019 and 30 June 2020, all of the cash and cash equivalents of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

25. INVESTMENT IN A SUBSIDIARY

The Company

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	41,951	41,951	44,097

Particulars of the subsidiary are set out in note 1.

26. TRADE PAYABLES

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	189,570	236,863	449,190	425,521

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	186,293	123,388	284,097	67,657
3 to 6 months	989	–	34,075	23,723
6 to 12 months	–	32,957	106,040	305,276
1 to 2 years	2,288	78,230	14,770	17,052
2 to 3 years	–	2,288	7,920	11,798
Over 3 years	–	–	2,288	15
	189,570	236,863	449,190	425,521

Included in the trade payables were trade payables of RMB2,288,000, RMB55,960,000, RMB64,626,000 and RMB37,367,000 as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, due to the Group's related parties which were repayable within 120 days, which represented credit terms similar to those offered by the related parties to their major customers.

The trade payables are non-interest-bearing and are normally settled on 90 to 365 days' terms.

27. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount received under the co-investment arrangements – with share of copyrights	52,678	–	–	–
Amount received under the co-investment arrangements – without share of copyrights	19,012	58,000	1,272	1,229
Advances from a customer	–	–	–	301
Other payables *(note a)*	4,840	11,775	84,264	78,385
Other tax payables	1,324	20,795	21,747	22,924
Interest payable	1,835	1,036	1,370	349
Payroll and welfare payable	11	375	347	319
Accrued liabilities	18,228	43,693	89,773	93,887
Contract liabilities *(note b)*	79,966	41,823	535,762	405,414
	177,894	177,497	734,535	602,808

Notes:

(a) Other payables are non-interest-bearing and repayable on demand.

(b) Details of contract liabilities are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term advances received from customers				
Licensing of the broadcasting rights of self-produced drama series	51,840	–	142,642	50
Licensing of the broadcasting rights of outright-purchased drama series	24,057	39,153	–	–
Made-to-order drama series production	–	–	393,120	403,053
Others	4,069	2,670	–	2,311
Total contract liabilities	79,966	41,823	535,762	405,414

Contract liabilities include short-term advances received from the licensing of broadcasting rights of self-produced drama series, licensing of the broadcasting rights of outright-purchased drama series, made-to-order drama series production and others.

Included in contract liabilities are advances received from the Group's related parties of RMB58,632,000, RMB6,792,000, RMB535,762,000 and RMB363,430,000 as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	31 December 2017
			RMB'000
Current			
Bank loans – secured *(note a)*	4.35	2018	30,000
Other borrowings – unsecured *(note e, f)*	20.00	On demand	5,000
Other borrowings – unsecured *(note e, f)*	15.00	2018	8,000
			43,000
Non-current			
Other borrowings – unsecured *(note g)*	12.00	2022	246,578
			289,578

	Effective interest rate (%)	Maturity	31 December 2018
			RMB'000
Current			
Bank loans – secured *(note b)*	4.35	2019	30,000
Bank loans – secured *(note b)*	3.75	2019	5,000
Other borrowings – unsecured *(note e, f)*	10.00	2019	10,000
Other borrowings – unsecured *(note e, f)*	10.72	2019	21,000
			66,000

	Effective interest rate (%)	Maturity	31 December 2019
			RMB'000
Current			
Bank loans – secured *(note c)*	5.66	2020	110,000
Other borrowings – unsecured *(note e, f)*	10.00	2020	5,000
Other borrowings – unsecured *(note e, f)*	12.00	2020	10,000
			125,000

	Effective interest rate (%)	Maturity	30 June 2020
			RMB'000
Current			
Bank loans – secured *(note c)*	5.66	2020	110,000
Bank loans – secured *(note d)*	4.79	2020	10,500
Bank loans – secured *(note d)*	5.00	2020	5,000
Bank loans – secured *(note d)*	5.22	2021	10,000
Other borrowings – unsecured *(note e, f)*	10.00	2020	5,000
			140,500

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	30,000	35,000	110,000	135,500
Other borrowings repayable:				
Within one year or on demand	13,000	31,000	15,000	5,000
In the sixth year	246,578	–	–	–
	259,578	31,000	15,000	5,000
	289,578	66,000	125,000	140,500

Notes:

(a) As at 31 December 2017, the shareholder, namely Mr. Liu Xiaofeng, had guaranteed certain of the Group's bank loans up to RMB30,000,000.

(b) As at 31 December 2018, the Group's notes receivable, which had an aggregate net carrying value of approximately RMB5,000,000 were pledged to secure the bank loans granted to the Group (note 20).

In addition, the shareholder, namely Mr. Liu Xiaofeng, had guaranteed certain of the Group's bank loans up to RMB30,000,000 as at 31 December 2018.

(c) As at 31 December 2019 and 30 June 2020, the Group's trade receivables, which had an aggregate net carrying value of approximately RMB120,000,000 and RMB120,000,000, respectively, were pledged to secure the Group's bank loans up to RMB80,000,000 (note 20).

In addition, the shareholder, namely Mr. Liu Xiaofeng, had guaranteed certain of the Group's bank loans up to RMB110,000,000 and RMB110,000,000 as at 31 December 2019 and 30 June 2020, respectively.

The Group's bank loans up to RMB80,000,000 were guaranteed by subsidiaries as at 31 December 2019 and 30 June 2020.

(d) As at 30 June 2020, the former shareholders and their close family of Nova Film had guaranteed certain of the Group's bank loans up to RMB25,500,000, RMB25,500,000, RMB15,500,000, RMB11,000,000 and RMB10,500,000, respectively.

In addition, the amounts of RMB6,000,000 of bank loans were secured by a mortgage over the real estate owned by the former shareholder and his close family of Nova Film as at 30 June 2020.

The amounts of RMB6,000,000 of bank loans were secured by a mortgage over the Group's patents which had an aggregate net carrying value of approximately RMB12,300,000 as at 30 June 2020 (note 16).

(e) The Group's other borrowings as at 31 December 2017, 2018 and 2019 and 30 June 2020 were unsecured and repayable within one year.

(f) Included in the Group's other borrowings, RMB13,000,000, RMB31,000,000, RMB15,000,000 and RMB5,000,000 as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, were the financial investments in certain drama series received from the third party investors.

(g) As at 31 December 2017, other borrowings of RMB246,578,000 represented financial liabilities derived from the equity investment in Jiangsu Strawbear by Hainan Alibaba Pictures Entertainment Industry Investment Fund (Limited Partnership) with a redemption right under certain circumstances, which is recorded at amortised cost.

(h) As planned by the Company and its shareholder, namely Mr. Liu Xiaofeng, all guarantees provided by Mr. Liu Xiaofeng for the Group's bank loans have been fully released in August and November 2020.

(i) All guarantees and mortgages provided by the former shareholders and their close family of Nova Film have been fully released in October, November and December 2020.

29. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Impairment of trade receivables	Accrued expenses	Write-down of inventories	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	201	3,274	1,007	4,482
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	957	1,282	(292)	1,947
At 31 December 2017 and 1 January 2018	1,158	4,556	715	6,429
Deferred tax credited to profit or loss during the year *(note 10)*	81	6,368	3,273	9,722
At 31 December 2018 and 1 January 2019	1,239	10,924	3,988	16,151
Deferred tax credited to profit or loss during the year *(note 10)*	382	11,520	–	11,902
At 31 December 2019 and 1 January 2020	1,621	22,444	3,988	28,053
Deferred tax credited/(charged) to profit or loss during the period *(note 10)*	1,472	1,028	(533)	1,967
At 30 June 2020	3,093	23,472	3,455	30,020

Deferred tax liabilities

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	–	–	–	14,012
Fair value adjustments arising from acquisition of a subsidiary *(note 33)*	–	–	14,012	1,764
Deferred tax credited to profit or loss during the year/period *(note 10)*	–	–	–	(7,100)
At end of year/period	–	–	14,012	8,676

The Group has tax losses arising in Mainland China of nil, RMB13,140,000, RMB13,608,000 and RMB15,836,000 as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At the end of each of the Relevant Periods, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB172,691,000, RMB84,186,000, RMB148,466,000 and RMB200,062,000 at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

30. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On 29 November 2018, the Company issued Series Seed redeemable preferred shares ("Series A") to a third party investor, Taurus Holding Ltd., ("Taurus Holding"), at a consideration of US$40,000,000 (equivalent to RMB275,461,000). On 21 May 2020, the Company issued and allotted 26,720,000 Series A of a par value of US$0.000025 each to Taurus Holding at a consideration of US$15,139,000 (equivalent to RMB108,250,000).

The key terms of the preferred shares are summarised as follows:

(1) Pre-emptive right to purchase

Each holder of Series A Shares shall have the pre-emptive right to purchase such Pre-emptive Rights Holder's Pro Rata Share of all (or any part) of any New Securities that the Company may from time to time issue after the date of the Shareholders Agreement.

(2) Conversion

Unless converted earlier pursuant to (a) below, each holder of Series A Shares shall have the right, at such holder's sole discretion, to convert all or any portion of the holder's Series A Shares into Ordinary Shares at any time. The conversion rate for the Series A Shares shall be determined by dividing the Series A Issue Price for each of the Series A Shares by its conversion price. The conversion price for each of the Series A Shares, subject to adjustments from time to time in accordance with the provisions hereof, is referred to hereinafter as the "Conversion Price". The initial Conversion Price for each of the Series A Shares shall be its Series A Issue Price of US$22,662.89 per shares.

(a) Subject to and in compliance with the provisions of the conversion, any Series A Share may, at the option of its holder, be converted at any time into fully-paid and non-assessable Ordinary Shares based on the then-effective Conversion Price.

(b) Without any action being required by the holder of such Series A Share and whether or not the certificates representing such Series A Share are surrendered to the Company or its transfer agent, each of the Series A Shares shall automatically be converted into Ordinary Shares, at the then Conversion Price, upon the earlier of: (i) the date specified by written consent or agreement of the holders of at least a majority of the Series A Shares then outstanding, and (ii) the closing of a Qualified Public Offering. In the event of the automatic conversion of the Series A Shares upon a Qualified Public Offering as aforesaid, the Person(s) entitled to receive the Ordinary Shares issuable upon such conversion of Series A Shares shall not be deemed to have converted such Series A Shares until immediately prior to the closing of such Qualified Public Offering.

(3) Redemption

Notwithstanding anything to the contrary herein, at any time upon or following the occurrence of any of the following events: (i) a Qualified Public Offering shall not have been closed prior to the fifth (5th) anniversary of the Series A Closing; (ii) prior to the consummation of a Qualified Public Offering, the Founder ceases to be employed by any Group Company or to devote his full time, attention and efforts to the business of the Group Companies for any reason and within 30 days upon occurrence of any such event, the Founder and Taurus Holding have not reached a written agreement regarding solution with respect to such event; (iii) prior to the consummation of a Qualified Public Offering, seventy-five percent (75%) of the Key Persons (other than the Founder) terminates his/her employment with any Group Company, or any Group Company terminates the seventy-five percent (75%) of the Key Persons' (other than the Founder) employment for cause; (iv) any Group Company, the Founder or any of the Key Persons breaches any obligation about non-competition and full time commitment; or (v) any Group Company or the Founder directly or indirectly issues or transfers any Shares to any Taurus Holding Competitor or any of its Affiliates or direct or indirect shareholders.

The price at which each Series A Share shall be redeemed or acquired shall be equal to the greater of: the fair market value of such Series A Shares on a per Share basis as of the date of the Redemption Request; or Series A Issue Price*(1+10%*N), plus all declared but unpaid dividends per share thereon up to the date of redemption, proportionally adjusted for share subdivisions, share dividends, reorganisations, reclassifications, consolidations or mergers; N = a fraction the numerator of which is the number of calendar days between the Series A Original Issue Date and the relevant redemption date on which such Series A Share is redeemed and the denominator of which is 365.

(4) Liquidation

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the assets of the Company available for distribution shall be distributed to the shareholders of the Company as follows:

(a) The holders of the Series A Shares shall be entitled to receive, prior to any distribution to the holders of any other class or series of Shares, an amount per Series A Share equal to 110% of the Series A Issue Price plus any declared but unpaid dividends (the "Series A Preference Amount"). In the event that the Company has insufficient assets to permit payment of the Series A Preference Amount in full to all holders of Series A Shares, then the assets of the Company shall be distributed ratably to the holders of the Series A Shares in proportion to the Series A Preference Amount each such holder of Series A Shares would otherwise be entitled to receive.

(b) Subject to the payment of all amounts due to the holders of the Series A Shares in accordance with (a) above, the balance of the assets of the Company available for distribution shall be distributed ratably to the holders of Shares (on an as-converted basis).

	Total
	RMB'000
As at 3 January 2018 (date of incorporation)	–
Issue of preferred shares	275,461
Changes in fair value	(936)
As at 31 December 2018 and 1 January 2019	274,525
Changes in fair value	14,996
As at 31 December 2019 and 1 January 2020	289,521
Issue of preferred shares	108,250
Changes in fair value	3,720
As at 30 June 2020	401,491

The Company has used the Market Approach or Backsolve Method when applicable to determine the underlying share value of the Company and adopted the equity allocation model to determine the fair value of the preferred shares as of the dates of issuance and as at 31 December 2018 and 2019 and 30 June 2020.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018 and 2019 and 30 June 2020.

Significant unobservable inputs

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
Time to IPO	2023/11/29	2023/11/29	2020/12/31
Time to liquidation/redemption	2023/11/29	2023/11/29	2023/11/29
Risk-free rate	3.32%	2.63%	1.53%
Equity volatility – IPO	54%	41%	50%
Equity volatility – liquidation/redemption	54%	41%	41%
DLOM – Series A	16%	11%	7%

Quantitative sensitivity analysis

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
1 year increase in time to exit event	(7,503)	(2,150)	(657)
1% increase in risk-free rate	(5,911)	(5,435)	(6,246)
1% decrease in risk-free rate	6,880	6,226	6,229
10% increase in equity volatility	(14,726)	(6,794)	(7,405)
10% decrease in equity volatility	13,968	4,266	3,747
5% increase in DLOM	(16,095)	(16,014)	(21,639)
5% decrease in DLOM	16,095	16,014	21,639

31. SHARE CAPITAL

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*
Authorised:			
50,000 ordinary shares of US$1 each	50	50	–
2,000,000,000 ordinary shares of US$0.000025 each	–	–	50
	50	50	50
Issued but credit fully paid:			
10,000 ordinary shares of US$1 each	10	10	–
400,000,000 ordinary shares of US$0.000025 each	–	–	10
	10	10	10

The movement in the Company's share capital during the Relevant Periods is as follows:

	Number of shares in issue	Share capital
		RMB'000
At 3 January 2018 (date of incorporation) *(note a)*	1,000	–
New shares issued on 5 March 2018 *(note b)*	9,000	–
At 31 December 2018, 1 January 2019 and 31 December 2019	10,000	–
Share sub-division on 11 May 2020 *(note c)*	390,000	–
At 30 June 2020	400,000	–

Notes:

(a) On 3 January 2018, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1.00 each. Immediately thereafter, (i) one share was allotted and issued at par value to the initial subscriber, and was subsequently transferred to Master Sagittarius Holding Limited ("Master Sagittarius"); and (ii) 789 shares, 200 shares and 10 shares were allotted and issued at par value to Master Sagittarius, Gold Pisces Holding Limited and Ice Princess Holding Limited, respectively.

(b) On 5 March 2018, the Company allotted and issued an aggregate of 9,000 shares at par value to the then existing shareholders of the Company.

(c) On 11 May 2020, the Company's issued and unissued 50,000 shares of a par value of US$1.00 each were subdivided into 2,000,000,000 shares with a par value of US$0.000025 each. As a result, (i) the authorised share capital of the Company shall be US$50,000 divided into 2,000,000,000 shares of US$0.000025 par value each, and (ii) the issued share capital of the Company shall be 400,000,000 shares and 70,600,000 Series A Preferred Shares of US$0.000025 par value each.

(d) On 21 May 2020, the Company issued and allotted 26,720,000 Series A Preferred Shares of a par value of US$0.000025 each to Taurus Holding at a consideration of US$15,138,810 (equivalent to RMB108,250,000) which was fully received in May 2020.

(e) There was no authorised and issued share capital presented as at 31 December 2017 since the Company had not yet been incorporated at that time.

32. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group, details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

Statutory surplus reserve

In accordance with the Company Law of the PRC, subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their statutory surplus reserve until the reserve reaches 50% of their registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

The Company

	Share award reserve	Retained profits/ (accumulated losses)	Total equity
	RMB'000	*RMB'000*	*RMB'000*
At 3 January 2018 (date of incorporation)	–	–	–
Equity-settled share award expense	41,951	–	41,951
Profit for the year	–	939	939
At 31 December 2018 and 1 January 2019	41,951	939	42,890
Loss for the year	–	(14,994)	(14,994)
At 31 December 2019 and 1 January 2020	41,951	(14,055)	27,896
Equity-settled share award expense	2,146	–	2,146
Loss for the period	–	(3,718)	(3,718)
At 30 June 2020	44,097	(17,773)	26,324

33. BUSINESS COMBINATIONS

(a) On 31 January 2019, the Group acquired a 100% interest in Hangzhou Yide from independent third parties. Hangzhou Yide is engaged in business of literature copyright agency and development. The acquisition was made as part of the Group's strategy to expand its market share of drama series licensing. The purchase consideration for the acquisition was in the form of cash, with RMB100,000,000 paid before the acquisition date, RMB13,400,000 paid in 2019, RMB31,990,000 paid in 2020 and the remaining RMB34,610,000 has not been paid yet.

The fair values of the identifiable assets and liabilities of Hangzhou Yide as at the date of acquisition were as follows:

		Fair value recognised on acquisition
	Notes	*RMB'000*
Property, plant and equipment	*13*	793
Inventories		118,997
Prepayments, other receivables and other assets		67,638
Other intangible assets	*16*	42,900
Cash and cash equivalents		18,720
Trade payables		(5,888)
Other payables and accruals		(137,489)
Deferred tax liabilities	*29*	(14,012)
Due to a related party		(20,000)
Total identifiable net assets at fair value		71,659
Goodwill on acquisition	*15*	108,341
Cash consideration		180,000

The goodwill of RMB108,341,000 recognised above comprises the value of expected synergies arising from this acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	180,000
Cash and cash equivalents acquired	(18,720)
Net outflow of cash and cash equivalents included in cash flows from investing activities for the year ended 31 December 2018	(15,000)
Net outflow of cash and cash equivalents included in cash flows from investing activities for the year ended 31 December 2019	(79,680)
Net outflow of cash and cash equivalents included in cash flows from investing activities for the six months ended 30 June 2020	(31,990)
Cash consideration unpaid at 30 June 2020	34,610

Since the acquisition, Hangzhou Yide contributed nil to the Group's revenue and RMB1,182,000 to the consolidated profit for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year of 2019, the revenue of the Group and profit of the Group for the year ended 31 December 2019 would have been RMB765,097,000 and RMB46,230,000, respectively.

(b) On 23 June 2020, the Group acquired a 89.0% interest in Nova Film from independent third parties. Nova Film is engaged in the business of special effects editing and other post-production work for films and drama series. The acquisition was made as part of the Group's strategy to enhance its comprehensive drama series production capabilities. The purchase consideration for the acquisition was the amount due from Nova Film of RMB12,500,000.

The fair values of the identifiable assets and liabilities of Nova Film as at the date of acquisition were as follows:

		Fair value recognised on acquisition
	Notes	*RMB'000*
Property, plant and equipment	*13*	6,752
Prepayments, other receivables and other assets		20,333
Other intangible assets	*16*	12,682
Right-of-use assets	*14(a)*	91
Trade receivables		11,902
Cash and cash equivalents		2,677
Interest-bearing bank borrowings		(25,500)
Trade payables		(10,268)
Other payables and accruals		(7,985)
Deferred tax liabilities	*29*	(1,764)
Lease liabilities	*14(b)*	(91)
Total identifiable net assets at fair value		8,829
Non-controlling interests		(971)
Goodwill on acquisition	*15*	4,642
Purchase consideration		12,500

The goodwill of RMB4,642,000 recognised above comprises the value of expected synergies arising from this acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	–
Cash and cash equivalents acquired	(2,677)
Net inflow of cash and cash equivalents included in cash flows from investing activities for the six months ended 30 June 2020	2,677
Cash consideration unpaid at 30 June 2020	–

Since the acquisition, Nova Film contributed nil to the Group's revenue and nil to the consolidated profit for the six months ended 30 June 2020.

Had the combination taken place at the beginning of the year of 2020, the revenue of the Group and profit of the Group for the six months ended 30 June 2020 would have been RMB601,126,000 and RMB53,490,000, respectively.

34. SHARE AWARDS

(a) Pursuant to the share transfer agreements dated 5 March 2018 and 1 November 2018, the shareholders of the Company agreed to transfer certain of their equity interests in the Company at nil consideration to Gold Fish Management Holding Limited ("Gold Fish"), which is controlled by a key employee of the Group. Upon completion of the shares transfer, Gold Fish holds a total of 8% equity interests in the Company.

The fair value of the 8% equity interests in the Company amounted to RMB41,951,000, which was by reference to the valuation result appraised by an independent valuer as at the base date of the valuation. As the shares transfer came into effect immediately in March 2018 and November 2018 and did not have any vesting or service conditions, or restriction for future transfer, the amount of RMB41,951,000 was considered as a compensation for Ms. Zhai Fang's services for and contributions to the Group, and was therefore accounted for as a share-based compensation expense in the Group's profit or loss for the year ended 31 December 2018.

(b) On 11 May 2020, the Company adopted the Pre-IPO Share Option Scheme. Following the adoption of the Pre-IPO Share Option Scheme, 37,648,000 Pre-IPO Share Options, representing approximately 8% equity interests in the Company, were granted to Mr. Liu Xiaofeng, an executive director and the chief executive officer of the Company, to recognise his significant contribution to the Group. The Pre-IPO Share Options required no performance target except that Mr. Liu Xiaofeng remains as an employee of the Group during the vesting period.

The exercise price of the Pre-IPO Share Options is no less than its par value, which will determined by the Board of Directors. 5% of the Pre-IPO Share Options is exercisable after 24 months from the date of the option scheme agreement; 10% of the Pre-IPO Share Options are exercisable after 36 months from the date of the share option scheme agreement; 15% of the Pre-IPO Share Options are exercisable after 48 months from the date of the option scheme agreement; 30% of the Pre-IPO Share Options are exercisable after 60 months from the date of the option scheme agreement and 40% of the Pre-IPO Share Options are exercisable after 72 months from the date of the option scheme agreement.

The following share options were outstanding under the Pre-IPO Share Option Scheme in 2020:

	Weighted average exercise price	Number of options
	US$ per share	*'000*
At 1 January 2020	–	–
Granted during the period	0.000025	37,648
At 30 June 2020	0.000025	37,648

The fair value of the Pre-IPO Share Options granted in 2020 was approximately RMB77,152,000, of which the Group recognised a share-based compensation expense of RMB2,146,000 for the six months ended 30 June 2020.

The fair value of equity-settled share options granted in 2020 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2020
Expected volatility (%)	53.00
Risk-free interest rate (%)	2.02
Expected life of options (years)	10
Weighted average share price (US$)	0.29
Forfeiture rate (%)	–

No other feature of the options granted was incorporated into the measurement of fair value.

35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group had non-cash settlements of loans receivable from a third party of nil, nil, RMB54,066,000 and RMB35,570,000, respectively, by offsetting against the amount due to a third party.

During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,252,000, nil, RMB109,000 and RMB3,638,000, respectively, in respect of lease arrangements for office premises.

During the six months ended 30 June 2020, the Group had non-cash settlements of purchase consideration for the acquisition of Nova Film of RMB12,500,000 by offsetting against the prepayments, other receivables and other assets.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Amount due to a related party	Amount due to a joint venture	Interest payable	Lease liabilities	Financial liabilities at fair value through profit or loss
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	202,874	–	–	1,781	1,419	–
Additions	–	–	–	–	2,252	–
Changes from financing cash flows	65,126	–	–	–	(799)	–
Interest accrued	21,578	–	–	1,900	50	–
Interest paid	–	–	–	(1,846)	(50)	–
At 31 December 2017 and 1 January 2018	289,578	–	–	1,835	2,872	–
Changes from financing cash flows	(247,000)	80,000	–	–	(1,493)	275,461
Changes in fair value of financial liabilities at fair value through profit or loss	–	–	–	–	–	(936)
Interest accrued	23,422	6,474	–	2,980	79	–
Interest paid	–	(5,461)	–	(3,779)	(79)	–
At 31 December 2018 and 1 January 2019	66,000	81,013	–	1,036	1,379	274,525
Additions	–	–	–	–	109	–
Changes from financing cash flows	59,000	–	51,000	–	(979)	–
Changes in fair value of financial liabilities at fair value through profit or loss	–	–	–	–	–	14,996
Acquisition of a subsidiary	–	20,000	–	–	–	–
Interest accrued	–	4,913	–	6,345	76	–
Interest paid	–	–	–	(6,011)	(76)	–
At 31 December 2019 and 1 January 2020	125,000	105,926	51,000	1,370	509	289,521
Additions	–	–	–	–	3,638	–
Changes from financing cash flows	(10,000)	(100,000)	20,000	–	(468)	108,250
Changes in fair value of financial liabilities at fair value through profit or loss	–	–	–	–	–	3,720
Acquisition of a subsidiary	25,500	–	–	–	91	–
Interest accrued	–	1,246	1,633	4,009	32	–
Interest paid	–	(7,172)	(1,373)	(5,030)	(32)	–
At 30 June 2020	140,500	–	71,260	349	3,770	401,491

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Within operating activities	317	240	1,088	602	425
Within investing activities	456	–	–	–	–
Within financing activities	799	1,493	979	472	468
	1,572	1,733	2,067	1,074	893

36. COMMITMENTS

The Group had the following commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
The co-investment arrangements	181,300	106,754	109,700	67,968
Made-to-order drama series	100,003	106,609	31,872	102,322
	281,303	213,363	141,572	170,290

37. RELATED PARTY TRANSACTIONS

Details of the Company's related parties are as follows:

Company	Relationship with the Company
Liu Xiaofeng	The ultimate controlling shareholder
Zhao Min	Close family member of a shareholder
Beijing Qishibang Technology Co., Ltd ("Beijing Qishibang")	An entity controlled by shareholders
Wuxi Youkong	An associate of the Group
Nanjing Huawen	A joint venture of the Group
Beijing iQIYI Technology Co., Ltd. ("Beijing iQIYI")	An entity controlled by a shareholder
Beijing Qiyi Century Technology Co., Ltd ("Qiyi Century")	An entity controlled by a shareholder
Beijing iQIYI Internet Technology Co., Ltd ("iQIYI Internet")	An entity controlled by a shareholder
Shanghai Shaoyin Music Entertainment Co., Ltd. ("Shanghai Shaoyin")	An entity controlled by shareholders

(a) The Group had the following transactions with related parties during the Relevant Periods and the six months ended 30 June 2019:

		Year ended 31 December			Six months ended 30 June	
		2017	**2018**	**2019**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of goods to:						
Beijing Qishibang	*(i)*	2,830	–	–	–	–
Qiyi Century	*(i)*	116,226	244,703	92,528	92,528	2,288
iQIYI Internet	*(i)*	–	–	112,719	–	74,367
Beijing iQIYI	*(i)*	–	–	3,237	334	324,623
Purchases of goods from:						
Wuxi Youkong	*(ii)*	481	7,438	1,563	1,205	158
Beijing iQIYI	*(ii)*	5,677	112,358	148,933	148,933	–
Rental fee to:						
Liu Xiaofeng	*(iii)*	282	48	–	–	–
Borrowings from:						
Liu Xiaofeng	*(iv)*	–	350,000	–	–	–
Nanjing Huawen	*(v)*	–	–	51,000	–	20,000
Repayments to:						
Beijing iQIYI	*(iv)*	–	270,000	–	–	100,000
Interest expenses to:						
Beijing iQIYI	*(iv)*	–	6,108	4,913	2,395	1,246
Nanjing Huawen	*(v)*	–	–	–	–	1,633
Loans to:						
Zhao Min	*(vi)*	–	–	3,000	3,000	–
Shanghai Shaoyin	*(vi)*	–	–	–	–	3,000
Repayments received:						
Zhao Min	*(vi)*	–	–	–	–	3,000
Shanghai Shaoyin	*(vi)*	–	–	–	–	3,000

Notes:

(i) The sales to related parties were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.

(iii) The rental fee was paid for the lease of an office from the shareholder, Liu Xiaofeng. The rental fee was charged pursuant to the terms of the agreements signed between the Group and the related party.

(iv) The Group obtained a loan from Liu Xiaofeng. Liu Xiaofeng transferred all rights and interest of the loan to Beijing iQIYI on 29 November 2018. The loan bore interest at 5% per annum, was guaranteed by Liu Xiaofeng and has been fully repaid by 30 June 2020.

(v) The Group obtained an unsecured loan from Nanjing Huawen to invest in drama series, while the amount of RMB30,000,000 bears interest at 10% per annum, the amount of RMB21,000,000 is interest-free, and the amount of RMB20,000,000 bears interest at 10% per annum.

(vi) The Group provided loans to Zhao Min and Shanghai Shaoyin, and the loans were unsecured and interest-free.

(b) Commitments with a related party

On 1 October 2016, a subsidiary of the Group entered into an agreement with Liu Xiaofeng, for the lease of an office. The amount of the total rental fee to Liu Xiaofeng for the Relevant Periods is included in note 37(a) above. This lease agreement was renewed on an annual basis and ended on 30 June 2018.

(c) Outstanding balances with related parties:

The Group

(i) Trade receivables

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Qiyi Century	36,960	–	–	–
Beijing Qishibang	1,000	–	–	–
iQIYI Internet	–	–	270,522	360,772
	37,960	–	270,522	360,772

(ii) Prepayments, other receivables and other assets

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liu Xiaofeng	214	–	–	–
Wuxi Youkong	510	3,490	3,310	3,310
	724	3,490	3,310	3,310

(iii) Trade payables

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Qiyi Century	2,288	2,288	2,288	–
Beijing iQIYI	–	53,672	62,338	37,367
	2,288	55,960	64,626	37,367

(iv) ***Other payables and accruals***

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beijing iQIYI	6,792	6,792	535,762	363,430
Qiyi Century	51,840	–	–	–
	58,632	6,792	535,762	363,430

(v) ***Due from a related party***

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhao Min	–	–	3,000	–

(vi) ***Due to a joint venture***

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Nanjing Huawen	–	–	51,000	71,260

(vii) ***Due to a related party***

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beijing iQIYI	–	81,013	105,926	–

(viii) ***Due from a subsidiary***

The Company

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Shanghai Strawbear	275,461	275,461	383,711

Except for the amount due to Beijing iQIYI and Nanjing Huawen as stated in note 37(a)(iv) and (v) above and transactions detailed elsewhere in notes 20, 21, 26 and 27, the balances with related parties are unsecured, interest-free and repayable on demand.

Except for the amounts stated in 37(c)(v), (vi), (vii) and (viii) above, the balances with related parties are trade in nature. The outstanding balance due to a joint venture is expected to be settled by or on the maturity date on 31 December 2020.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Salaries, allowances and benefits in kind	847	1,291	1,541	673	741
Equity-settled share award expense	–	41,951	–	–	2,146
Pension scheme contributions	73	160	203	75	25
Total compensation paid to key management personnel	920	43,402	1,744	748	2,912

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

The Group

Financial assets at amortised cost

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	288,851	173,344	485,396	756,634
Financial assets included in prepayments, other receivables and other assets	7,117	101,908	169,173	73,409
Due from a related party	–	–	3,000	–
Restricted cash	–	–	54,312	18
Cash and cash equivalents	153,258	97,255	52,349	83,295
	449,226	372,507	764,230	913,356

Financial assets at fair value through profit or loss (Mandatorily designated as such)

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	20,000	–	–	–

Financial assets at fair value through comprehensive income (Debt investments)

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through other comprehensive income	1,000	7,000	–	20,000

The Company

Financial assets at amortised cost

	As at 31 December		As at 30 June
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Due from a subsidiary	275,461	275,461	383,711
Cash and cash equivalents	3	5	7
	275,464	275,466	383,718

The Group

Financial liabilities at amortised cost

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	189,570	236,863	449,190	425,521
Lease liabilities	2,872	1,379	509	3,770
Interest-bearing bank and other borrowings	289,578	66,000	125,000	140,500
Financial liabilities included in other payables and accruals	43,915	114,504	176,679	173,850
Due to a joint venture	–	–	51,000	71,260
Due to a related party	–	81,013	105,926	–
Dividend payable	–	80,000	81,507	80,000
	525,935	579,759	989,811	894,901

The Group and the Company

Financial liabilities at fair value through profit or loss

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss	–	274,525	289,521	401,491

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and notes receivables, trade payables, financial assets included in prepayments, other receivables and other assets, amounts due from a related party, financial liabilities included in other payables and accruals, dividend payable and interest-bearing bank and other borrowings, lease liabilities, amounts due to a joint venture and amounts due to a related party approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of lease liabilities and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities and interest-bearing bank and other borrowings as at the end of each of the Relevant Periods were assessed to be insignificant. The fair value of the financial liabilities at fair value through profit or loss is estimated by the market approach and equity allocation model.

The Group has unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the notes receivable classified as financial assets at fair value through other comprehensive income under HKFRS 9 as at the end of each of the Relevant Periods have been calculated by discounting the expected future cash flows, which are the par values of the notes receivable. In addition, the notes receivable will mature within one year, and thus their fair values approximate to their carrying values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivable	–	1,000	–	1,000
Financial assets at fair value through profit or loss	–	20,000	–	20,000
	–	21,000	–	21,000

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivable	–	7,000	–	7,000

As at 30 June 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivable	–	20,000	–	20,000

Liabilities measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss	–	–	274,525	274,525

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss	–	–	289,521	289,521

As at 30 June 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss	–	–	401,491	401,491

The changes in Level 3 instruments of financial liabilities at fair value through profit or loss and a summary of significant unobservable inputs to the valuation of these financial instruments together with a quantitative sensitivity analysis for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 are presented in note 30.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets included in prepayments, other receivables and other assets, interest-bearing bank and other borrowings, financial liabilities included in other payables and accruals and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year/period-end staging as at 31 December 2017, 2018 and 2019 and 30 June 2020

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

The Group

As at 31 December 2017	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	293,481	293,481
Notes receivable**	1,000	–	–	–	1,000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	7,117	–	–	–	7,117
Cash and cash equivalents					
– Not yet past due	153,258	–	–	–	153,258
	161,375	–	–	293,481	454,856

As at 31 December 2018	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	178,301	178,301
Notes receivable**	7,000	–	–	–	7,000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	101,908	–	–	–	101,908
Cash and cash equivalents					
– Not yet past due	97,255	–	–	–	97,255
	206,163	–	–	178,301	384,464

As at 31 December 2019	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	491,881	491,881
Financial assets included in prepayments, other receivables and other assets					
– Normal**	169,173	–	–	–	169,173
Due from a related party					
– Normal**	3,000	–	–	–	3,000
Restricted cash					
– Not yet past due	54,312	–	–	–	54,312
Cash and cash equivalents					
– Not yet past due	52,349	–	–	–	52,349
	278,834	–	–	491,881	770,715

As at 30 June 2020	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	769,006	769,006
Notes receivable**	20,000	–	–	–	20,000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	73,409	–	–	–	73,409
Restricted cash					
– Not yet past due	18	–	–	–	18
Cash and cash equivalents					
– Not yet past due	83,295	–	–	–	83,295
	176,722	–	–	769,006	945,728

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

** The credit quality of notes receivable and the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the Historical Financial Information.

The Company

As at 31 December 2018	**12-month ECLs**	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due from a subsidiary					
– Normal*	275,461	–	–	–	275,461
Cash and cash equivalents					
– Not yet past due	3	–	–	–	3
	275,464	–	–	–	275,464

As at 31 December 2019	**12-month ECLs**	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due from a subsidiary					
– Normal*	275,461	–	–	–	275,461
Cash and cash equivalents					
– Not yet past due	5	–	–	–	5
	275,466	–	–	–	275,466

As at 30 June 2020	**12-month ECLs**	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due from a subsidiary					
– Normal*	383,711	–	–	–	383,711
Cash and cash equivalents					
– Not yet past due	7	–	–	–	7
	383,718	–	–	–	383,718

* The credit quality of amounts due from a subsidiary are considered to be "normal" when it is not past due and there is no information indicating that the financial asset had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial asset is considered to be "doubtful".

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	31 December 2017					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	6,000	3,085	36,607	–	387,000	432,692
Trade payables	189,570	–	–	–	–	189,570
Lease liabilities	–	461	1,240	1,972	–	3,673
Financial liabilities included in other payables and accruals	24,903	21,294	–	–	–	46,197
	220,473	24,840	37,847	1,972	387,000	672,132

	31 December 2018					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	3,326	67,276	–	–	70,602
Trade payables	236,863	–	–	–	–	236,863
Lease liabilities	–	251	756	921	–	1,928
Financial liabilities at fair value through profit or loss	–	–	–	–	479,413	479,413
Financial liabilities included in other payables and accruals	56,504	35,401	15,466	–	–	107,371
Due to a related party	81,013	–	–	–	–	81,013
Dividend payable	80,000	–	–	–	–	80,000
	454,380	38,978	83,498	921	479,413	1,057,190

	31 December 2019					
	On demand	Less than 3 months	3 to less than 12 months	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	1,555	129,048	–	–	130,603
Trade payables	449,190	–	–	–	–	449,190
Lease liabilities	–	283	751	–	–	1,034
Financial liabilities at fair value through profit or loss	–	–	–	–	490,137	490,137
Financial liabilities included in other payables and accruals	175,407	–	1,272	–	–	176,679
Due to a joint venture	51,000	–	–	–	–	51,000
Due to a related party	105,926	–	–	–	–	105,926
Dividend payable	81,507	–	–	–	–	81,507
	863,030	1,838	131,071	–	490,137	1,486,076

	30 June 2020					
	On demand	Less than 3 months	3 to less than 12 months	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	96,821	45,688	–	–	142,509
Trade payables	425,521	–	–	–	–	425,521
Lease liabilities	–	278	738	3,433	–	4,449
Financial liabilities at fair value through profit or loss	–	–	–	–	401,491	401,491
Financial liabilities included in other payables and accruals	172,621	–	1,229	–	–	173,850
Due to a joint venture	71,260	–	–	–	–	71,260
Dividend payable	80,000	–	–	–	–	80,000
	749,402	97,099	47,655	3,433	401,491	1,299,080

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a debt to equity ratio, which is net debt divided by total equity multiplied by 100% as at the date indicated. Net debt includes lease liabilities, interest-bearing bank and other borrowings, amounts due to a joint venture and amounts due to a related party less cash and cash equivalents. Capital represents total equity of the Group. The debt to equity ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	289,578	66,000	125,000	140,500
Lease liabilities	2,872	1,379	509	3,770
Due to a joint venture	–	–	51,000	71,260
Due to a related party	–	81,013	105,926	–
Less: Cash and cash equivalents	(153,258)	(97,255)	(52,349)	(83,295)
Net debt	139,192	51,137	230,086	132,235
Total equity	193,498	145,962	194,451	251,696
Debt to equity ratio	72%	35%	118%	53%

41. EVENTS AFTER THE RELEVANT PERIODS

No other significant events that require additional disclosure or adjustments occurred after the Relevant Periods.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2020.