ANNUAL REPORT
2018 年報

STOCK CODE 股份編號 00623

SinoMedia®

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

About us

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

Contents

Financial Summary

RMB'000	For the year ended 31 December 2018	For the year ended 31 December 2017	Change (%)
Revenue	**1,615,704**	1,472,698	+10%
Profit from operations	**101,397**	138,441	-27%
Profit attributable to equity shareholders of the Company	**82,127**	93,042	-12%
Earnings per share			
— Basic and Diluted	**16.2 RMB cents**	17.7 RMB cents	-8%
Proposed final dividend per share	**7.71 HKD cents**	8.86 HKD cents	-13%

REVENUE:

RMB'000	For the year ended 31 December 2018	For the year ended 31 December 2017	Change (%)
TV media resources management	**1,403,362**	1,242,418	+13%
Integrated communication services and Content operations	**81,778**	122,781	-33%
Digital marketing and Internet media	**86,738**	79,893	+9%
Rental income	**60,371**	44,591	+35%
Sales taxes and surcharges	**(16,545)**	(16,985)	-3%
	1,615,704	1,472,698	

TURNOVER:

RMB'000	For the year ended 31 December 2018	For the year ended 31 December 2017	Change (%)
TV media resources management	**1,403,362**	1,242,418	+13%
Integrated communication services and Content operations	**1,089,695**	916,805	+19%
Digital marketing and Internet media	**86,738**	79,893	+9%
Rental income	**60,371**	44,591	+35%
Sales taxes and surcharges	**(16,545)**	(16,985)	-3%
	2,623,621	2,266,722	

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chen Xin *(Chairman)*

Ms. Liu Jinlan

Mr. Li Zongzhou

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qi Daqing

Mr. Lian Yuming

Ms. Wang Xin

Mr. He Hui David

AUDIT COMMITTEE

Mr. Qi Daqing *(Chairman)*

Mr. Lian Yuming

Ms. Wang Xin

REMUNERATION COMMITTEE

Ms. Wang Xin *(Chairman)*

Mr. Chen Xin

Mr. Lian Yuming

NOMINATION COMMITTEE

Mr. Chen Xin *(Chairman)*

Mr. Lian Yuming

Ms. Wang Xin

COMPLIANCE COMMITTEE

Mr. Li Zongzhou *(Chairman)*

Mr. Wang Yingda

COMPANY SECRETARY

Mr. Wang Yingda

AUTHORISED REPRESENTATIVES

Mr. Chen Xin

Mr. Wang Yingda

PRINCIPLE PLACE OF BUSINESS

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

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

REGISTERED OFFICE OF THE COMPANY

Unit 402, 4th Floor, Fairmont House,
No.8 Cotton Tree Drive, Admiralty,
Hong Kong

AUDITORS

KPMG

SHARE REGISTRAR

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

WEBSITE

www.sinomedia.com.hk

2018 Year in Review

MARCH

Boosj.com launched a large-scale program of 100 Square Dance shows across the nation (“National 100 Square Dance”) under the theme of “Happy China and Dance for Better Life”

Boosj.com launched a large-scale program of the National 100 Square Dance under the mission of advocating a healthy lifestyle. The aim of this activity is to promote core values and increase the public’s happiness in the direction of cultural construction in the new age by organizing, operating and disseminating cultural and sports activities. Boosj.com attracted the attention and interaction of tens of millions of users resulting from the program broadcasting on various online media, and expanded the brand influence of “Square Dance of boosj.com” as a professional service platform in industry verticals.

APRIL

SinoMedia signed a cooperation agreement with a Canadian film company

SinoMedia signed a strategic cooperation agreement with two well-known film companies in Canada, being White Pine Pictures Inc. and Ballinran Productions Limited, under which they will cooperate in documentary films and documentary TV programs, so as to meet the demands of the Chinese, Canadian and worldwide audiences on film and television works. The signing of the agreement was highly valued by both the Chinese and Canadian governments as well as the cultural and creative enterprises. In recent years, SinoMedia has been committed to the development and management of content production focusing on documentary films and TV programs, and has formed an industrial chain layout which integrates content creation, production, distribution and project operation.

SinoMedia participated in the event of “Spring-Tour Exhibition for 2018 Key Documentaries of CCTV Documentary Channel”

SinoMedia participated in the event of “Spring-Tour Exhibition for 2018 Key Documentaries of CCTV Documentary Channel” held in Chimelong Ocean Kingdom in Zhuhai City. More than 150 cultural, press and business figures attended the event. Representatives of corporate brands who are CCTV Documentary Channel’s partners, such as Delux of Mengniu Milk, Great Wall Wine, Fortune of COFCO, Ping An Insurance and China Life Insurance also attended the event.

MAY

Golden Bridge Wisdom participated in Beijing International High-tech Expo

Golden Bridge Wisdom, as one of outstanding technologies in big data sector, was invited to participate in the 21st China Beijing International High-tech Expo held at the China International Exhibition Center, and introduced at the Expo its services of programmatic placing, integrated marketing, advertising monitoring, private custom reports and portrait management. Golden Bridge Wisdom currently has dozens of mainstream media resources, with daily advertising requests exceeding 10 billion times.

OCTOBER

Sino-French co-production documentary the Car Wars premiered in France

The Car Wars, a documentary co-produced by SinoMedia and Taxi-Brousse from France, was broadcast on French TV5. The film, in forms of photograph and video, portrays the development trend of the current automobile manufacturing industry and travel services, and sorts out and records the current hot news and outlines of the industry development. The Car Wars, an international cooperation documentary project that SinoMedia participated in its investment and co-production, tells a story of China under a global perspective and a global story based on human concerns by mean of diversified imageology expressions as well as an objective and vivid narrative method.

SinoMedia became the general agent for marketing business in China of the Tourism Bureau of Washington DC.

Tourism Bureau of Washington DC, the USA announced that it had appointed SinoMedia as its agent for its general marketing business in the PRC market, including marketing business targeting on consumers, the travel industry, media and public relations, and exhibitions. SinoMedia is responsible to organize marketing and media promotion activities for the PRC market for Tourism Bureau of Washington DC to promote mutual understanding of and continued to display its role in bridging and linking, Washington DC and Chinese tourists.

NOVEMBER

SinoMedia attended China International Travel Mart

This China International Travel Mart attracted 107 countries and regions to participate in the exhibition. It is the 17th times of SinoMedia to attend the exhibition, where SinoMedia launched the combination communication products of “content + resources + platform”, to cater to the market trend of the integration of culture and tourism. China International Travel Mart is the largest, most internationalized and most influential professional travel exhibition in the Asia Pacific region. As one of the leading enterprise of city brand communication, SinoMedia provides clients with “TV + Internet + Mobile Internet” multi-screen integrated communication services to meet the combined market demand of culture and tourism.

DECEMBER

SinoMedia has become the exclusive underwriting agent for TV advertisement of CCTV-14 Children Channel

Entrusted by CCTV Advertising Center, SinoMedia has become the exclusive underwriting agent for the TV advertising business of CCTV-14 Children Channel, since 1 January 2019. Children Channel is the first professional national TV channel launched throughout China with children and teenagers as its main audience. By virtue of its good social reputation and its stable forefront viewership ranking among the satellite TV stations nationwide, Children Channel is regarded as the leader among the nationwide children’s TV programs, and it is also called the reassuring green channel by parents and children education workers. Children Channel covers 1.1 billion Chinese people, representing 97% of children and teenagers and 90% of young mothers, and is a major channel of parent-child communication in China.

Awards and Recognition

Company Honours

Award:	First Class Advertising Enterprise (Comprehensive Services)
Time Period:	February 2018
Awarded by:	China Advertising Association
Award Description:	First Class Advertising Enterprise in China is awarded by China Advertising Association which represents the highest qualification among China's advertising enterprises. The award is assessed by multiple dimension criteria including operating scale, staff qualification, service level and industrial influence of the company. China Advertising Association, established in 1983, is an institution directly under the State Administration for Industry and Commerce, and an industry organisation of the advertising industry in China. The association is voluntarily formed by advertisers, advertisement operators, companies and organisations related to the advertising industry up to certain qualifications, across the country.

Award:	CCTV 2018 Advertising Agency with AAAA Credit Rating
Time Period:	April 2018
Awarded by:	CCTV Advertising Center
Award Description:	CCTV Advertising Center rates advertising agencies in an all-around and comprehensive manner according to the "Measures to Manage Advertising Agencies of CCTV Based on Credit Rating System". Agencies are granted ratings from AAAA (top) to AAA, AA and A (bottom). The criteria of rating covers proceeds from advertisements placed via an agency, seniority of agency business, integrity record of agency business, performance and compliance with contract and record of subprime conduct. This is the third consecutive year that SinoMedia has received the honor since CCTV first conducted the credit rating on advertising agencies in 2016.

Award:	2018 World Cup Broadcast Advertising Award — Sports Marketing Breakthrough Award
Time Period:	September 2018
Awarded by:	CCTV Advertising Industry Mudanjiang Forum (中央電視台廣告產業牡丹江論壇)
Award Description:	CCTV Advertising Industry Mudanjiang Forum is attended by nearly 200 representatives from outstanding enterprises and advertising agency companies across the country, aimed at discussing the media development, assessing the media value, talking about the direction of the industry, and advising on the industrial upgrading and high-quality development of China's advertising industry. The award is established to recognize advertisers and advertising companies that have demonstrated outstanding performance in respect of the World Cup marketing.

Professional Honours

Award-winning Work:	Advertisement — Ruyitie advisement (如意貼) marketing projects in Ode to Joy 2 (歡樂頌2) sponsored by Feihe.
Award:	The 18th IAI International Advertising Awards • Excellence award with respect to case/marketing via placement ads in video
Time Period:	May 2018
Awarded by:	IAI International Advertising Awards Executive Committee
Award Description:	IAI International Advertising Awards is jointly hosted by China Advertising Association of Commerce, National Advertising Institute, School of Advertising of Communication University of China, jointly organised by MBA Institute of Communication University of China and IAI International Advertising Institute. For the purposes of "building platform for industrial exchanges, witnessing advertising development of the age, aiming at effect of brand marketing and providing reference of creativity strategy", it boasts a panel of judges comprising firm owners, marketing and brand managers, advertising workers, media workers, academic masters in advertising media and celebrities. The creativity and production of the award-winning work were all well-received by the industry without a hitch.

Award-winning Work:	Advertisement — Looking for Bygone Tastes of Spring Festival
Award:	The 18th IAI International Advertising Awards • Excellence award with respect to case/creativity marketing
Time Period:	May 2018
Awarded by:	IAI International Advertising Awards Executive Committee
Award Description:	IAI International Advertising Awards is jointly hosted by China Advertising Association of Commerce, National Advertising Institute, School of Advertising of Communication University of China, jointly organised by MBA Institute of Communication University of China and IAI International Advertising Institute. For the purposes of "building platform for industrial exchanges, witnessing advertising development of the age, aiming at effect of brand marketing and providing reference of creativity strategy", it boasts a panel of judges comprising firm owners, marketing and brand managers, advertising workers, media workers, academic masters in advertising media and celebrities. The creativity, production and copywriting of the award-winning work are all good-performance.

Awards and Recognition

Professional Honours

Award-winning Work:	Creative Planning Case — Tongwei Group
Award:	Actual Combat Gold Case • with respect to integration marketing
Time Period:	July 2018
Awarded by:	ADMEN International Awards Committee
Awards Description:	The ADMEN Awards is an industry contribution award in the field of advertising media, and is the highest honor in the field of brand advertising media. It selects prominent persons and classic advertising cases that represent the spirit of the time after comprehensively considering such criteria as industrial influence, industrial contribution, core strategies, creative planning and actual result, so as to identify the best role models in the industry, provide reference for the industrial development, and recognize outstanding achievements in advertising industry.

Award-winning Work:	SinoMedia 2017 Annual Report
Award:	Technical Achievement Award, Vision Golden Award, Top 80 Annual Reports in the Asia-Pacific and Top 60 Annual Reports in China for 2017 Annual Reports of LACP Media Companies
Time Period:	October 2018
Awarded by:	League of American Communications Professionals (LACP)
Award Description:	Initiated in 2002, LACP Vision Awards is one of the most prestigious international annual report competitions in the industry. As it selects the top 100 annual reports submitted by enterprises from all sectors and at all scales, the LACP Vision Awards has long been called the “Olympics of Corporate Annual Reports”, and recognised as highly professional and authoritative in the industry.

Award-winning Work:	SinoMedia 2017 Annual Report
Award:	ARC Design Silver Award
Time Period:	October 2018
Awarded by:	ARC International Panel of Judges
Award Description:	ARC International Competition is one of the largest and most authoritative international competitions for annual reports. It boasts high recognition and great influence in the world and is hailed as the “Oscars of Annual Reports” by financial media.

Management Discussion and Analysis

ABOUT THE GROUP

China's economic growth in domestic and foreign demand slowed down and the pressure on the real economy increased significantly during 2018, with GDP up by 6.6% compared with last year and up 6.4% in the fourth quarter, being the lowest record in terms of growth rate in nearly a decade (source: National Bureau of Statistics, January 2019).

Caixin China Manufacturing Purchasing Managers' Index (PMI) jointly prepared by Caixin Media and Markit was 48.3 in January 2019, a decrease of 3.2 percentage point compared with January 2018, being the lowest record since March 2016, indicating that the operation in manufacturing industry has slowed down to a further extent; and Caixin China Service Purchasing Managers' Index (PMI) in January 2019 was 53.6, a decrease of 1.1 percentage points compared with January 2018, indicating that the service industry maintained robust expansion notwithstanding the growth rate in the service sector has slowed down (source: Caixin Media, February 2019 and February 2018).

In terms of advertising industry, China's advertising market in 2018 grew by 2.9% compared with last year, of which advertising expenses in traditional media has dropped by 1.5% compared with the same period last year, based on the market study released by CTR Media Intelligence. The information indicates that the growth of China's advertising market has dropped after experiencing a favorable situation at the beginning of the year and the expenses for TV advertising has also shifted from increase to decrease (source: CTR Media Intelligence, January 2019).

During the year under review, faced with the stagnant macroeconomic environment and the huge downward pressure on the TV advertising market, the Group made proper adjustments to the low-efficiency business sectors, optimized the media products and business structure, explored deeply the field of TV advertisement that has an advantage in the market share, continued to promote the strategy of providing inter-screen creative communication services as the core, and further improved the competitiveness of the Group as a leading comprehensive media operation group in China.

BUSINESS REVIEW

TV ADVERTISING AND CONTENT OPERATIONS

I. TV Media Resources Management

During the year under review, the Group had approximately 10,990 minutes of advertising resources on a total of 10 programs on channels including CCTV-1 (General)/CCTV-News, CCTV-2 (Finance), CCTV-4 (Chinese International, including Europe and the US), CCTV-7 (Military and Agriculture), and the exclusive underwriting right for 67,110 minutes of all advertising resources of CCTV-9 (Documentary). It covered the markets of news, politics, agriculture, culture and lifestyle programs and also brought more diversified communication channels to clients. Its specific media resources include the "News 30" (新聞30分) jointly broadcasted on CCTV-1 (General)/CCTV-News, "Di Yi Shi Jian" (第一時間) and "China Economic Forum" (中國經濟大講堂) on CCTV-2 (Finance), programs and resource periods including "Across the Straits" (海峽兩岸), and "Today's Focus" (今日關注) on CCTV-4 (Chinese International), and programs including "Zhi Fu Jing" (致富經), "Focus on the Three Agricultural Issues" (聚焦三農), "Daily Agricultural News" (每日農經) on CCTV-7 (Military and Agriculture) as well as all advertising resources of CCTV-9 (Documentary). During the year, the Group continued to strengthen the capability of developing and serving clients in the area of TV advertisement marketing and improved the competitiveness through optimizing media product combinations to absorb more advertising placements from brand clients with creative communication strategies and services.

II. Integrated Communication Services

The Group has gained recognition by a large number of well-known clients for its professional and highly efficient communication services and caring client service philosophy. During the year under review, the Group provided brand information, advertising placement, promotion planning, public relation activities and other multi-dimensional brand integrated communication services to clients including Ping An, Feihe Dairy, Suning Appliance, JDB, Zhihu, Country Garden, Evergrande Tourism, Sinopec, Chang'an Automobile, Shandong Tourism and Yunnan Tourism.

In respect of international business, the Group actively offered overseas clients with Chinese market promotion, media propaganda, creative planning and other services. The main clients during the year under review include tourism bureaus of Toronto, Ottawa, Nova Scotia, Yukon and other areas of Canada, and Turkish Tourism, Washington Tourism Board, European Tourism Commission and Department of Tourism Indonesia, etc.

III. Content Operations

The Group provided clients with comprehensive and professional commercial advertisement creative production services. During the year under review, the Group successively served COFCO Greatwall, PICC, Tai'an Tourism, Turkey Embassy and other clients, providing services involving creative design, advertising video shooting, producing and editing.

The Group continued to actively explore and develop content production and creative communication business during the year under review. The Group and CCTV jointly produced 33 sessions of Bond with China (中國緣), with a total of approximately 900 minutes, all of them had been broadcasted on CCTV-4 (Chinese International) up to the Spring Festival of 2019. Magical Circus (神奇馬戲團), the Hollywood animation partly invested and jointly produced by the Group, was released to the public during the year. The post production of The Disappearance of Suspects (消失的嫌疑人) and The Special Witness (非常目擊), the suspense reasoning movies partly invested and jointly produced by the Group, were completed and expected to be released in 2019. In addition, the Group completed the planning, filming and promotion of films and TV products and creative contents for a variety of clients during the year, helping clients to improve their brand values with innovation capabilities.

DIGITAL MARKETING AND INTERNET MEDIA

I. Digital Marketing

The Group continuously upgraded its self-developed intelligent programming advertising placement platform, and continued to improve the internet integrated service capacity, providing clients with one-stop digital marketing solutions through technologies of big data and precision placement. During the year under review, the Group successively served Feihe Dairy, Korea Tourism Organization, Dazhong Appliances, GOME Appliances, CAISSA Touristic and other clients, receiving a high degree of recognition and praise therefrom.

II. Internet Media

www.boosj.com (播視網) focused on two major vertical fields: talent fostering of children and healthy life promotion for middle-aged and elderly people, providing users with online video content services and community interaction platform. Its website traffic increased stably in 2018 and formed core users group with home life as a remarkable label. Of which, the channel of Talented Kid focused on the development of children's intelligence, combining dance, nursery rhythm, painting, stories and other video programs, to produce a series of content based on the characteristics of children's growth stages, and release through various channels, such as PC, mobile WAP, APP and self-media accounts. The channel of Square Dance formed an interaction community bond with experienced teachers, dance teams and dancers, and became ever more popular and influential by leverage of the online platform together with the offline activity resources. During the year under review, www.boosj.com held many serial activities such as "Dance Show in 100 Cities" (百城秀舞) and "Annual Gala" (年度盛典), and cooperated with Country Garden Group to hold the national performance game of square dance "Dancing for New Life" (舞動新生活) for two consecutive years.

With the core of China's modern agriculture information communication services, the original contents of www.wugu.com.cn (吾谷網) covered policy interpretation, scientific and technological knowledge, rich stories, investment and starting up business, etc., and were released through many channels, with an annual reading volume of over 50 million. During the year, www.wugu.com.cn continued to upgrade the Beijing's online service platform of "One Village, One Product (一村一品)" and obtained the e-commerce cooperation project of "One Village, One Product" from Beijing Municipal Commission of Rural Affairs, providing part of towns and villages in the suburb of Beijing with brand positioning, image design, internet marketing and other comprehensive communication services.

www.lotour.com (樂途旅遊網), by constantly expanding the inspirational travelers' resources and high-quality tourism contents, consolidated the online platform placing and offline activity services. During the year under review, www.lotour.com provided services to clients such as Gansu Tourism, Fuzhou Tourism, Lhasa Tourism, Huma Tourism, Henan Tourism, Liaoning Tourism and Inner Mongolia Tourism.

FINANCIAL REVIEW

REVENUE AND PROFIT ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

For the year ended 31 December 2018, the Group recorded revenue of RMB1,615,704 thousand, representing an increase of approximately 10% from RMB1,472,698 thousand last year.

Revenue details for the year under review are as follows:

(I) Revenue recorded from TV media resources management was RMB1,403,362 thousand, representing an increase of approximately 13% from RMB1,242,418 thousand last year. The Group experienced downward pressure and challenges in the market of TV media industry. By continuously conducting targeted media promotion activities during the year, the Group has made timely adjustments to the marketing strategies based on market condition, and has further optimized media product structure guided by the market demand. Meanwhile, the Group constantly enriched its marketing team, strengthened the result-oriented incentive policy, and through intensifying the marketing cases and creative planning and other professional training, maintained stable growth for the annual contracted sales. Among which, advertising placement from clients of finance and insurance and healthcare recorded an outstanding performance.

(II) Revenue recorded from integrated communication services and content operations was RMB81,778 thousand in total, representing a decrease of approximately 33% from RMB122,781 thousand last year. Among which:

Turnover recorded from integrated communication services was RMB1,065,708 thousand, representing an increase of approximately 22% from RMB870,504 thousand last year. During the year, the Group signed agreements with numerous famous corporate clients of good standing to provide them with professional brand services such as media planning, media procurement and advertising placement. Both the number of clients and the contract amounts increased when compared with those of last year. Under the International Accounting Standards, relevant procurement costs must be deducted from the Group's turnover and the resulting net commission should be credited as the Group's revenue if the Group procures media resources in the capacity of an agent for clients. On this basis, revenue from this business was RMB57,791 thousand, representing a decrease of approximately 24% from RMB76,480 thousand last year. Affected by the settlement cycle of media suppliers, the commission obtained from media suppliers during the year was less than that in the same period of last year.

Revenue from content operations was RMB23,987 thousand, representing a decrease of approximately 48% from RMB46,301 thousand of last year. Revenue from this business was mainly from content production of films and TV programs and creative production of commercial advertisements. Affected by the broadcasting time and settlement cycle of films and TV programs, revenue from documentary projects jointly produced by the Group and CCTV and animation and movies and other projects partly invested by the Group had not been recognized during the year. Affected by the deduction of expense budget by clients, revenue from creative production of commercial advertisements was less than that in the same period of last year.

(III) Revenue recorded from digital marketing and internet media was RMB86,738 thousand in total, representing an increase of approximately 9% from RMB79,893 thousand last year. The Group's self-developed intelligent programming advertising placement platform operates stably. The Group made continuous investment and optimization to its intelligent bidding advertising placement system based on the market demand, and as a result, revenue from digital marketing business increased as compared with that of last year. After years of cultivation and investment, the website traffic and users stickiness of www.boosj.com, www.wugu.com.cn and www.lotour.com under the Group steadily improved and revenue from internet media business increased compared with the same period of last year.

(IV) Rental income was RMB60,371 thousand, representing an increase of approximately 35% from RMB44,591 thousand last year, mainly because the office buildings temporarily not leased out last year were leased out again during the year, and as a result, revenue from this business was higher than that in the same period of last year.

During the year, revenue of the Group rose as compared with last year. Nevertheless, gross profit of the Group decreased compared with last year as the overall service costs increased because there were more exclusive underwriting resources of TV advertising during the year. For the year ended 31 December 2018, the profit attributable to equity shareholders of the Company was RMB82,127 thousand, representing a decrease of approximately 12% from RMB93,042 thousand last year.

OPERATING EXPENSES

For the year ended 31 December 2018, the Group's operating expenses were RMB156,552 thousand in aggregate, representing a year-on-year decrease of approximately 6% from RMB167,278 thousand last year, and accounted for approximately 9.7% of the Group's revenue (2017: 11.4%). The Group continued to strictly control the budget on operating expenses, enhanced the efficiency of utilization of operating expenses and properly lowered the administrative expenses, and as a result, both the total operating expenses and the ratio of expenses to revenue decreased as compared with last year.

Operating expenses include the followings:

(I) Selling and marketing expenses amounted to RMB59,446 thousand, which remained at similar level compared with that of RMB60,995 last year, and accounted for approximately 3.7% of the Group's revenue (2017: 4.2%).

(II) General and administrative expenses amounted to RMB97,106 thousand, representing a decrease of approximately RMB9,177 thousand from RMB106,283 thousand last year, and accounted for 6.0% of the Group's revenue (2017: 7.2%). The Group properly controlled the number of execution-related positions of less professional affairs, allowing the manpower costs to fall by approximately RMB3,310 thousand compared with last year. Meanwhile, the Group strictly controlled management and administrative expenses, resulting in the decrease in various expenses by approximately RMB6,655 thousand compared with last year. The Group made an assessment and judgment on the recoverability of receivables and goodwill arising from the acquisition of equity, and the impairment loss on receivables recorded an increase of approximately RMB3,577 thousand as compared with last year, while goodwill had no indication of impairment.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group signed an Equity Transfer Agreement with the minority shareholder of Hangzhou Sanji Media Company Limited ("Sanji Media") in September 2018 to acquire 12.86% equity interest in Sanji Media held by him. The equity transfer was completed during the year and Sanji Media has become a wholly-owned subsidiary of the Group since then.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity was adequate with a stable financial position as a whole. As at 31 December 2018, cash and bank balances amounted to RMB715,109 thousand (2017: RMB678,791 thousand), of which approximately 92% was denominated in RMB and the remaining 8% in HK dollars and other currencies. Bank time deposits with maturity over three months held by the Group in RMB amounted to RMB8,514 thousand (2017: RMB10,636 thousand). During the year, details of the Group's cash flows status were as follows:

(I) Net cash inflow from operating activities was RMB85,766 thousand (2017: RMB270,683 thousand), which was mainly because of: payment of corporate income tax of approximately RMB73,614 thousand; a decrease of approximately RMB203,694 thousand in prepayment of media agency cost to media suppliers as compared to the end of last year; and a decrease in advance from customers of approximately RMB164,189 thousand as compared to the end of last year.

(II) Net cash inflow from investing activities was RMB18,639 thousand (2017: RMB3,860 thousand), which was mainly attributable to the interest received on bank deposits at approximately RMB17,198 thousand; and the time deposit with original maturity over three months on due received at approximately RMB2,122 thousand.

(III) Net cash outflow from financing activities was RMB67,406 thousand (2017: RMB144,313 thousand), which was mainly attributable to: the use of capital for the buyback of the Company's shares of approximately RMB29,088 thousand; and payment of final dividend of 2017 of approximately RMB38,078 thousand.

As at 31 December 2018, the Group's total assets amounted to RMB1,989,793 thousand, which consisted of equity attributable to equity shareholders of the Company of RMB1,596,361 thousand, and non-controlling interests of RMB-7,007 thousand. As at 31 December 2018, the Group had no bank borrowings.

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

HUMAN RESOURCES

As at 31 December 2018, the Group had 296 employees in total, less than that at the beginning of the year and the overall operating efficiency improved. During the year under review, the Group properly streamlined execution-related staff for fundamental affairs, controlled the number of positions for low-efficiency business segments, while at the same time raised the basic salary and performance bonus for professional positions in sales and marketing, and implemented dynamic performance related remuneration policies for middle and senior management, so as to intensify the connection between working results and personal interests. The Group continued to optimize the structure of professional talents and introduced professional talents in the fields covering film and TV production and direction, content production, integrated marketing and creative planning, further improving the Group's capacities in creative communication service and comprehensive operation. In the aspect of employee training, the Group undertook regular sharing sessions of professional training, with creative advertising, marketing cases and media innovation as the themes, and held prize-winning campaigns for creative proposals, in order to comprehensively improve the employees' professional knowledge and practical capabilities. In addition to guaranteeing the mandated benefits, the Group continued to provide festival gift money to the elderly parents of employees, held events for outstanding employees and their families and parent-child activities. In order to align the personal interests of employees with those of shareholders, the Company granted share options to employees under share option schemes. Share options that were granted and remained unexercised as of the end of the year totaled 21,332,000 units.

INDUSTRY AND GROUP OUTLOOK

According to the Economic Blue Book: Analysis and Forecast of China's Economic Situation of 2019 released by the Chinese Academy of Social Sciences, it was expected that the growth rate of China's GDP in 2019 would be 6.3%, maintaining a decreasing trend compared with that of 2018. According to the Global Ad Investment Forecast Report released by GroupM, the growth rate of the global advertising in 2019 was expected to be adjusted to 3.6% from 3.9% forecasted in the middle of the year. Of which, China's advertising market will see a single digit growth for six consecutive years, being the lowest growth rate since recorded.

The development of advertising market and the growth of economy are closely related. Looking forward to 2019, the slowing down of the macro economy, intense situation of international trade as well as the accelerated falling of domestic consumption all brought enormous pressure and uncertainties to the business performance of the Group in the short run. Nevertheless, the Group always has confidence in and good expectations on the mid-and-long term prosperity of China's economy. We are committed to provide clients with premium creative products and communication services by focusing on the existing advantages and core competitiveness, further stimulating the team's innovative vitality, actively carrying out external cooperation, with an aim to maintain steady development during economic slowdown.

Specifically, in terms of TV advertising and content operations, based on all channel resources of CCTV-14 Children's Channel, the new exclusively underwritten channel in 2019, the Group will continue to optimize the media resources of TV advertising, strengthen client development capability and adhere to the client-oriented product and service strategies, to promote the deep combination and efficient communication of brand and high-quality content. Meanwhile, the Group will continue to nurture and develop content and creative production, and help clients to develop consumer market and increase brand value through IP-oriented creation and operation using the accumulated media experiences and client base, in order to expand the development space of the Group to the consumer markets with larger scale. In terms of the digital marketing and internet media, the Group will follow the development trend of internet media, enrich the content products and interactive functions in respect of the needs of core users in the vertical fields, make use of the matrix advantage of media resources, strengthen the resource benefit of high quality traffic, and constantly improve the operating capability of internet media and the professional capability of precision communication.

As a leading comprehensive media operation group in China, the Group will intensify the core competitiveness in creative communication, and uphold the spirit of innovation to improve operation efficiency and optimize the property rental income and fund management income. At the same time, the Group is committed to explore the method to accelerate the expansion of industrial development space of cultural tourism and consumer goods market by leveraging on brand creative communication and IP development, and lay a foundation for the medium and long term development of the Group through the development of new growth points to continue to create value for society, clients, staff and its shareholders.

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Chairman's Statement

In 2018, the Chinese economy went through a year when the internal and external environment was complicated and changeable, and the downward pressure on its real economy increased. In the face of the continued slowdown in macroeconomic growth and the sluggish growth of the traditional media industry, the Group has demonstrated high stress tolerance and resilience. We promoted firmly the existing strategy with providing inter-screen creative communication services as the core and continuously optimized media products to maintain the leading market share of TV advertising which is our core business. And we appropriately adjusted the business structure, improved operational efficiency, and continuously increased the property rental income and fund management income.

Over the past 20 years since its establishment, SinoMedia has accumulated over 3,000 clients at home and abroad with professional and efficient communication services and up-to-date business strategies. In the era of the integrated development of media, SinoMedia has tracked market demand, adapted to market changes, and always adhered to the client-oriented product and service strategy to promote the deep integration and efficient communication of brand and high-quality content.

As one of CCTV's largest TV advertising agencies, we have strengthened the incentive mechanism associated with work performance and personal income, increased professional training on marketing cases and creative planning, and attracted more brand clients to place TV commercials with innovative marketing strategies and media product portfolios, achieving continuous growth in the quantity and quality of clients, and always maintaining an absolute advantage in the field of city tourism brand communication.

In 2018, we continued to actively enhance its creative production and communication capabilities, developed content operation business, by which we completed the planning, filming and promotion of film and television products and creative content for many clients to enhance their brand value with our innovative capabilities. The "Bond with China (中國緣)" program jointly produced by the Group and CCTV has a total of 33 episodes, totaling approximately 900 minutes, which were broadcast on CCTV-4 Chinese International Channel during the Spring Festival and National Day of 2018 and the Spring Festival of 2019. The program has received good audience rating and public praise.

The Group has steadily carried out digital marketing business, continued to optimize and upgrade the self-developed intelligent programming advertising placement platform, continuously improved the integrated internet service capability through big data and precise placement technology, so as to provide clients with one-stop digital marketing solutions. The Group's www.boosj.com (播視網), www.lotour.com (樂途旅遊網) and www.wugu.com.cn (吾谷網) continued to focus on their respective vertical fields, and integrated online platform content and offline activity resources, realizing steady growth in website traffic. Among them, the Children's Fun Channel (童趣頻道) and the Square Dance Channel (廣場舞頻道) of www.boosj.com have formed a series of contents, and have been distributed through PC, mobile WAP, APP, self-media accounts and other channels, with their spreading capacity and influence continuing to expand.

Looking forward to 2019, the continuous slowdown in macroeconomic trends, the tension in international trade and the decline in domestic consumption growth will all add great pressure and uncertainty to the Group's short-term business performance, but we have always had confidence in and good expectations on the medium and long-term prosperity of the Chinese economy. In 2019, the Group obtained the exclusive underwriting of operating the full channel resources of CCTV-14 Children's Channel. At the same time, the Group will continue to nurture and develop content creativity and creation, based on the accumulated media experience and client base, using brand creative communication and IP development to accelerate the expansion of industrial development space in cultural tourism and consumer goods markets. We will, focusing on the existing advantages and the core competitiveness, further stimulate the team's innovative vitality, actively carry out external cooperation, strive to maintain a stable operation during the economic down cycle, and lay a foundation for the medium and long-term development of the Group through the development of new growth points.

Chen Xin
27 March 2019

"Turning pressure into power, turning challenges into opportunities"

Directors and Senior Management

MR. CHEN XIN (陳新)

aged 52, has been our Executive Director since November 2006. He was appointed as our Chairman in December 2007. He is primarily responsible for the strategic development, financial planning and investment management of the Group. Mr. Chen has thirty years of experience in the media industry. He obtained the title of senior reporter in journalism in 1999. From 1988 to 2004, he was a reporter for the central news compilation room of the overseas service department and the Australian branch of Xinhua News Agency, respectively, and also a director of central news compilation room and a director of news distribution office of the overseas service department of Xinhua News Agency successively. Mr. Chen received his bachelor of science degree in biology and genetics from Fudan University in 1986, completed a master's course in international news from Fudan University in 1988 and received an EMBA degree from the Cheung Kong Graduate School of Business in 2006. Mr. Chen is the husband of Ms. Liu Jinlan, our Chief Executive Officer and an Executive Director.

MS. LIU JINLAN (劉矜蘭)

aged 50, has been our Chief Executive Officer since she founded the Group in 1999. She has served as an Executive Director since 24 October 2001. She is primarily responsible for the overall management of business operation and client development. Ms. Liu previously worked at CCTV from 1995 to 1998.

Since she founded our Group, Ms. Liu was instrumental in designing and executing advertising campaigns which have influenced the TV media industry, for which she was jointly recognized as one of the "Top Ten Female Advertising Professionals of China" (中國十大最具風采女性廣告人) by CCTV, Advertising School of the Communication University of China (中國傳媒大學廣告學院), Advertising Guidance (廣告導報) and "Business" magazine (經營者雜誌社) in 2006. She was elected chairman of The Association of Accredited Advertising Agencies of China (中國4A協會) in January 2008, and jointly recognised as one of the "2008 Top Ten People in Media Advertising of China" (2008中國十大傳媒廣告人物) by School of Journalism and Communication of Renmin University of China (中國人民大學新聞學院), Journalism School of Fudan University (復旦大學新聞學院) and other institutions in December 2008. In 2009, in a celebration marking the 60th anniversary of founding of New China, she was jointly recognised as the "2009 Outstanding Woman of China's Advertising Industry" (2009年度中國廣告行業傑出女性) by China Advertising Association of Commerce (中國商務廣告協會), Beijing Advertising Association (北京廣告協會), "21st Century Advertising Magazine" (21世紀廣告雙周刊), and the organizing committee of the 21st AD International Summit (21世紀廣告國際峰會組委會). She was also elected a vice-chairman of the first Media Committee of China Association of National Advertisers (中國廣告主協會) in December 2009. She was jointly recognized for two successive years as one of the 2009/2010 and 2010/2011 "Top Ten Influential Female Advertising Professionals of China" (中國最具影響力十大女性廣告人) by "Advertising Guidance" magazine (廣告導報雜誌社) and MBA School of the Communication University of China (中國傳媒大學MBA學院) in September 2010 and April 2011 respectively. She was elected as the deputy head of Advertising Artistic Committee of China Television Artists Association (中國電視藝術家協會廣告藝術委員會) in March 2012. She was elected a vice president of Beijing Chaoyang District Association of Women Enterpreneurs (北京市朝陽區女企業家協會) in July 2012. She also served as a supervisor of MBA of Year 2012 of Cheung Kong Graduate School of Business in November 2012. She was recognized as "Person of the Year" (年度人物獎) by The Association of Accredited Advertising Agencies of China (中國4A協會) in October 2013. In March 2014, she was recognized as one of the 2013/2014 "Top Ten Female Advertising Managers of China" (十大女性廣告經理人) by "Advertising Guidance" magazine (廣告導報雜誌社). As a renowned adperson with a 20-year successful advertising career in China, she has been working as the chairman of The Association of Accredited Advertising Agencies of China (中國4A協會) for four years, and has become one of the fifteen members of the selection committee of China Advertising Hall of Fame (中國廣告名人堂推選委員會), which is jointly created by China Advertising Association of Commerce (中國商務廣告協會), the Advertising Museum of China (中國廣告博物館) and the National Advertising Research Institute (國家廣告研究院). In January 2017, she was recognised as the "Expert of Think Tank of China Advertising Industry" (中國廣告智庫專家) by China Advertising Association of Commerce (中國商務廣告協會). In July 2017, she was recognized as the "Contemporary China Outstanding ADMAN" (傳媒經理人 • 卓越人物) by Chinese Organizing Committee of ADMEN International Award (ADMEN國際大獎中國組委會).

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

MR. LI ZONGZHOU (李宗洲)

aged 51, joined the Group in 2000 as a financial supervisor and had been our General Accountant from 2007 to 2008. He was then a Vice President and is currently the Chief Internal Control Officer. He was appointed as an Executive Director in November 2006. Mr. Li is primarily responsible for financial accounting, risk control management, legal affairs and financial contract approval management of the Group. He was previously the chief accountant and head of the financial department of Dunhua Forest Bureau from 1987 to 2000. Mr. Li received his bachelor of arts degree in economics from Renmin University of China in 1990. Mr. Li is the husband of Ms. Liu Jinlan's niece.

MR. QI DAQING (齊大慶)

aged 54, has been our Independent Non-executive Director since May 2008. He taught as an assistant professor and then an associate professor in accounting at The Chinese University of Hong Kong between 1996 and 2002. Mr. Qi joined the Cheung Kong Graduate School of Business in July 2002 where he currently serves as a professor of Accounting. He serves as an independent director, the chairman of audit committee and a member of remuneration committee of Sohu.com Ltd., serves as an independent director and the chairman of audit committee of iKang Healthcare Group, Inc., serves as an independent director and a member of audit committee, and remuneration committee of MOMO Inc., serves as an independent director and a member of audit committee of Jutal Offshore Oil Services Limited, serves as an independent director and a member of audit committee, remuneration committee and nomination committee of Yunfeng Financial Group Limited, serves as an independent director and the chairman of audit committee of RoadShow Holdings Limited, and serves as an independent director and the chairman of audit committee of HaiDiLao International Holdings Ltd. Mr. Qi obtained a bachelor of science degree in biological physics in 1985 and a bachelor of arts degree in international mass communication in 1987, both from Fudan University in Shanghai. He received an MBA degree from the University of Hawaii at Manoa in 1992 and then a Ph.D. degree in Accounting from the Michigan State University in 1996.

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

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

MS. WANG XIN (王昕)

aged 47, was appointed as our Independent Non-executive Director in May 2012. Ms. Wang joined Sohu.com Ltd. in 1999 and was the joint president and chief operation officer of Sohu.com Ltd. from 2009 to March 2014. Prior to joining Sohu.com Ltd., Ms. Wang accumulated extensive experience in the field of sales and marketing. She worked in various companies, including Motorola (China) Company Limited where she served as an officer of the marketing and government relations department from 1996 to 1997. Ms. Wang graduated from Beijing Technology and Business University in China in 1992 with a bachelor of arts degree. She obtained a diploma in applied linguistics at the Southeast Asian Ministers of Education Organization Regional Language Centre, Singapore in 1996 and completed the China CEO program jointly offered by Cheung Kong Graduate School of Business, Columbia Business School, International Institute for Management Development and London Business School in 2011.

MR. LIAN YUMING (連玉明)

aged 55, was appointed as our Independent Non-executive Director in May 2011. Mr. Lian graduated from Shanxi University in 1987 with a bachelor of laws degree and then a Ph.D. degree in engineering from China University of Geosciences in 2013. He currently serves as the director of the Key Laboratory of Big Data Strategy (大數據戰略重點實驗室), the president of the International Institute for Urban Development, Beijing (北京國際城市發展研究院), the president of Capital Association for Scientific Decision-Making (首都科學決策研究會), the chairman of the Foundation of Beijing International Cities Forum (北京國際城市論壇基金會), and serves concurrently as a committee member of the Expert Consultative Committee of the Beijing Municipal Government (北京市政府專家諮詢委員會), a committee member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a committee member of the 13th National Committee of the Chinese People's Political Consultative Conference, a vice president of the Beijing Chaoyang District People's Political Consultative Conference, a vice president of the Beijing Federation of Social Science Circles (北京市社會科學界聯合會), the chief expert of the Research Base of Beijing-Tianjin-Hebei Co-Development (京津冀協同發展研究基地). He has a number of publications including the Awakening of City (城市的覺醒), the Concept of Global City Revisited (重新認識世界城市), the Capital City of Strategic Positioning (首都戰略定位), the Multi-Win Approach of Beijing-Tianjin-Hebei Co-Development (京津冀協同發展的共贏之路), the Block Data (塊數據), the Era of DT (DT時代), the Drive of Innovation (創新驅動力), the Future Cities and the Glory of Innovation (未來之城與創新之路)and the Data Rights Law 1.0 (數權法1.0). Mr. Lian has received various awards from government bodies and communities in recognition of his achievement and contribution to society, including the Beijing Municipal Committee of the Chinese People's Political Consultative Conference.

MR. HE HUI DAVID (何暉)

aged 58, was re-designated as an Independent Non-Executive Director of our Group on 20 November 2015. Mr. He worked as a Non-Executive Director of our Group from August 2011 to November 2015. He is currently a partner and managing director of PAG Asia Capital. Prior to joining PAG Asia Capital in 2015, he had been working at Bain Capital Asia as a managing partner. Mr. He previously worked at General Electric for more than ten years, and during which he accumulated extensive experience in the management of engineering, marketing and company operation-related affairs in the United States and the Asia market. Mr. He graduated from Peking University in China with a bachelor's degree, and obtained a doctor's degree in physics afterwards from the University of Michigan (Ann Arbor Campus, United States) and MBA from Kellogg School of Business of the Northwestern University in the United States.

MR. LIU XUMING (劉旭明)

aged 51, was our Vice President from 2005 to 2010, and was appointed as our Chief Operation Officer in 2011. Mr. Liu also has served as the Chairman of Beijing Lotour Huicheng Internet Technology Company Limited ("Lotour Huicheng") since August 2013. Mr. Liu is in charge of the management of the Group's operation planning and the overall operation management of Lotour Huicheng. He joined the Company in November 1999. Mr. Liu has over seventeen years of experience in city branding management, media operation and management, advertisement creative design and market development, and has a strong understanding of the media development and positioning, creative design and media operation. He was the president of Dunhua Cable TV Station in Jilin Province from 1997 to 1999. Mr. Liu has served as a council member of The Association of Accredited Advertising Agencies of China (中國4A協會) since 2006. He served as the chairman of Supervision and Examination for China Public Service Advertisement Grand Prix in 2010, chaired the judge for two successive years for China 4A Golden Seal Awards Media Category in 2012 and 2013, and served as a judge for CCTV National Competition on TV Public Service Advertising in 2013. He started to work, as a vice president of the Content Marketing Committee of China Advertising Association of Commerce since July 2016. Mr. Liu received an MBA degree from California University of Management and Sciences in 2003.

MR. WANG YINGDA (王英達)

aged 40, was appointed as our Vice President in October 2014, was appointed as the Company Secretary in December 2014, and was appointed as the Chief Financial Officer in September 2018, responsible for the Group's overall financial compliance management, corporate finance and investment activities, investor relations and company secretarial matters. Mr. Wang joined the Group in July 2012 as the deputy general manager of the Group's finance center. Mr. Wang has over sixteen years of experience in accounting, finance and auditing, and was the audit manager of KPMG before joining the Group. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chinese Institute of Certified Public Accountants. Mr. Wang received a bachelor of business administration degree from The Chinese University of Hong Kong in 2002 and a master of arts degree from Newcastle University, the United Kingdom, in 2004.

MR. HUANG PING (黃平)

aged 54, has been our Vice President since December 2011, and is responsible for the strategic development of media contents and channel platforms. Mr. Huang has extensive media-related work experience. He worked for MTV Greater China as its senior vice president and general manager from 2009 to 2011. From 2006 to 2009, he was a vice president in STAR China Co., Ltd. Before that, Mr. Huang was an associate director for the Satellite Channel under Shanghai Media Group and has accumulated extensive experience in programme production and distribution. Mr. Huang obtained a bachelor degree from the Journalism Department of Fudan University in 1986 and finished his postgraduate study in International News in Fudan University in 1988.

MR. LI MENG (李萌)

aged 39, the Group in 2009 and served successively as the director and general manager of media planning department. He was appointed as a Vice President of the Group, in charge of market and media research, product marketing planning and client strategy. Mr. Li has 17 years of experience in advertising, deeply understood the nature of advertising, and helped clients solve problems of branding or marketing by using media skillfully, and has deep knowledge of and extensive work experience in creative communication. Before joining the Group, Mr. Li worked in Time Share Advertising as the marketing manager, in charge of media operation. Mr. Li graduated from University of Science and Technology Beijing in 2000, majoring in public relations.

MS. ZHOU JUNHUA (周俊華)

aged 41, was appointed as our Vice President in October 2013, responsible for the overall development and operation of city tourism brand communication business of the Group. She joined the Group in August 2002, and has been the General Manager of City Brand Marketing Centre since 2011. Ms. Zhou has four years of frontline sales experience and twelve years of team management experience. With more than sixteen years of working experience in media industry, she has established her own style in the field of city tourism brand communication. She has successfully developed and provided services for more than 1,000 clients with her team, which effectively ensured the Group's leading position in this field. Through twelve years' professional team management, Ms. Zhou has initiated unique and systematic media marketing management ideas and methods which have been applied and promoted successfully in market practices, and made important contribution to the sales performance of the Group. Ms. Zhou graduated from Shashi University in 1999, majoring in finance.

MS. ZHENG CHUN (鄭春)

aged 47, was appointed as our Vice President in September 2015, responsible for expansion of international business and development of overseas clients. Ms. Zheng served various overseas tourism bureaus and airlines, in charge of promotion strategy and media publicity for China region. Ms. Zheng has over twenty years' experience in tourism. Before joining the Group, she worked for Destination Canada, KLM Royal Dutch Airlines and Northwest Airlines. Ms. Zheng received her bachelor of arts degree as a major in English from Beijing Language College in 1995.

MS. WANG HONG (王紅)

aged 49, has held positions in finance, media execution and administrative management since she joined the Group in March 1999. She was appointed as a Vice President of the Group in October 2015, responsible for the Group's media resource purchasing from China Central Television and execution management thereof, and also the administrative management of the Group. Ms. Wang has over sixteen years of experience in media industry. Ms. Wang graduated from Jilin University in 1996, majoring in business administration. Ms. Wang is the wife of Mr. Li Zongzhou, our Executive Director, and the niece of Ms. Liu Jinlan, our Executive Director and Chief Executive Officer.

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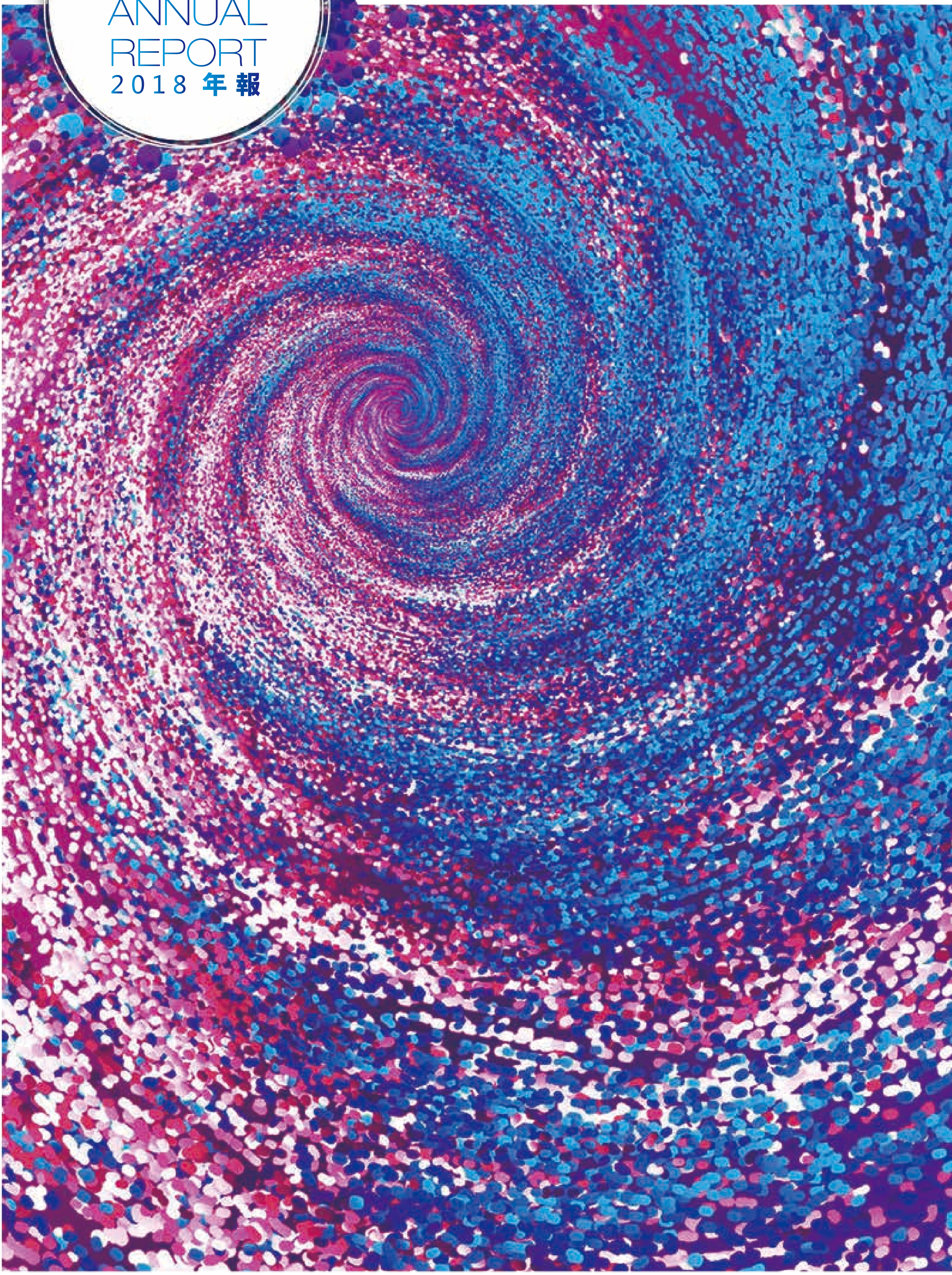

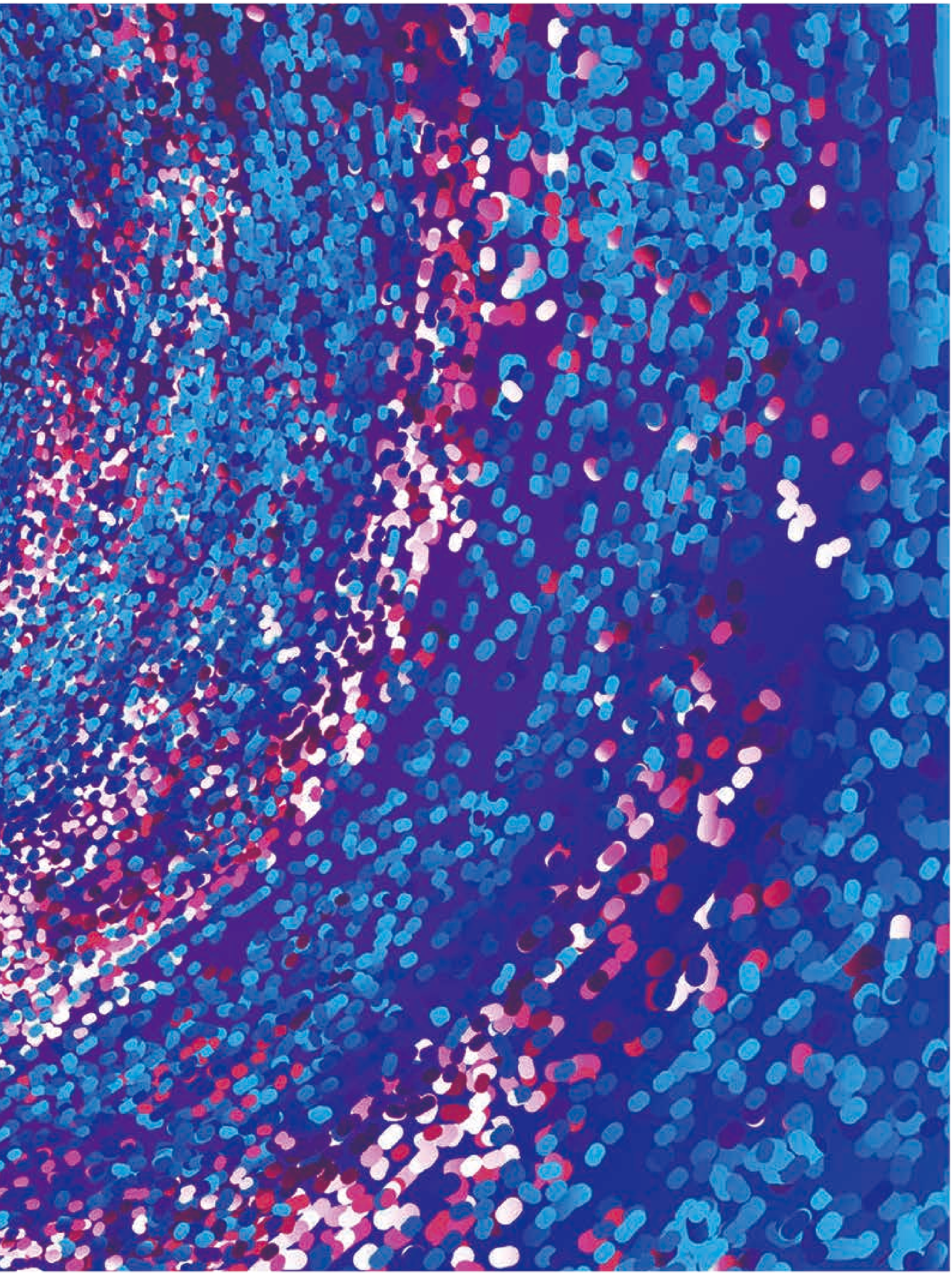

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions (“Code Provisions”) of the Corporate Governance Code and Corporate Governance Report (hereinafter referred to as the “Code”) as set out in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as the guidelines for corporate governance of the Company. During the year ended 31 December 2018, the Company has fully complied with all Code Provisions and where applicable, the recommended best practices prescribed in the Code, except for the following deviations:

Code Provision E.1.2

Under Code Provision E.1.2, the chairman of the Board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

Due to other pre-arranged business engagements which must be attended by her, Ms. Wang Xin, the chairman of the Remuneration Committee and an Independent Non-executive Director of the Company, was not present at the annual general meeting held on 8 June 2018. However, the other two members of the Remuneration Committee, Mr. Lian Yuming and Mr. Chen Xin, were present at the said annual general meeting to ensure an effective communication with the shareholders thereat.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received two confirmations (the “Confirmation”) from Mr. Chen Xin and Ms. Liu Jinlan (the “Covenantors”) signed by each of them in March 2019 respectively confirming that for the period from 1 January 2018 to 31 December 2018 and up to the date of signing the Confirmation by the relevant Covenantor, each of them has fully complied with the non-competition deed executed by the Covenantors in favour of the Group on 27 May 2008 (the “Non-Competition Deed”) and, in particular, they and their respective close associates have not, directly or indirectly, carried on or been engaged or interested in any business which is or may be in competition with the core business of the Group, i.e. acting as a media advertising operator, including the purchasing of advertisement time, advertisement production, acting as an agent of advertisement time and other advertising related service, and any other new business which is from time to time carried on or engaged or interested in by the Group.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions.

Having been made specific enquiry, the Directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2018.

BOARD OF DIRECTORS

1. Composition of the Board

During the year ended 31 December 2018, the Board comprised the following Directors:

EXECUTIVE DIRECTORS:	INDEPENDENT NON-EXECUTIVE DIRECTORS:
Mr. Chen Xin *(Chairman)*	Mr. Qi Daqing
Ms. Liu Jinlan *(Chief Executive Officer)*	Mr. Lian Yuming
Mr. Li Zongzhou	Ms. Wang Xin
	Mr. He Hui David

The Directors possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The biographical details of the Directors and the relationship between members of the Board are set out in the "Directors and Senior Management" section on pages 22 to 33 of this annual report.

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

2. Chairman and Chief Executive Officer

The positions of the Chairman of the Board and the Chief Executive Officer are held by separate individuals to ensure that a segregation of duties and a balance of power and authority are achieved. The Chairman is responsible for overseeing all Board functions in accordance with good corporate governance practice, developing strategies and instilling corporate culture. The Chief Executive Officer is responsible for formulating detailed plans for implementation of the objectives set by the Board and mainly focuses on the day-to-day management and operation of the Group's business. During the year ended 31 December 2018, the position of the Chairman of the Board was held by Mr. Chen Xin and the position of the Chief Executive Officer of the Company was held by Ms. Liu Jinlan.

3. Non-executive Directors

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

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

The Company has received annual written confirmation from each Independent Non-executive Director in respect of his or her independence to the Company pursuant to the requirements of the Listing Rules. The Company has assessed the independence of all Independent Non-executive Directors, including Mr. Qi Daqing who has served the Company for more than 9 years since his first appointment as an Independent Non-executive Director in May 2008, and is satisfied that each of them continued to satisfy the independence criteria under Rule 3.13 of the Listing Rules and remained independent throughout the year ended 31 December 2018. The Company also has at all times complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors and the appointment of an Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. The Independent Non-executive Directors represented at least one-third of the Board.

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

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

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

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

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

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole;

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

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

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

5. Board Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate in person or through electronic means of communication. During the year of 2018, the Board held four meetings. As regards general meetings, the Company held the annual general meeting on 8 June 2018 during the year of 2018. The said meetings were attended by a majority of the Directors in person or through other electronic means of communication. Attendances at the Board meetings and the annual general meeting of each Director are set out as follows:

	NUMBER OF MEETINGS ATTENDED/HELD	
DIRECTORS	**Board Meetings**	**Annual General Meeting**
Executive Directors:		
Chen Xin	4/4	1/1
Liu Jinlan	4/4	1/1
Li Zongzhou	4/4	1/1
Independent Non-executive Directors:		
Qi Daqing	4/4	1/1
Lian Yuming	4/4	1/1
Wang Xin	4/4	0/1
He Hui David	4/4	0/1

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

6. Appointment, Re-election and Removal of Directors

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

Each of the Directors has entered into a service contract with the Company for a specific term and is subject to retirement by rotation at annual general meetings at least once every three years. In accordance with the Articles of Association of the Company, three Directors shall retire at the next following annual general meeting of the Company and shall be eligible for re-election. The names and biographical details of the Directors who will offer themselves for re-election at the forthcoming annual general meeting are set out in the circular to shareholders dated 26 April 2019 to assist shareholders in making an informed decision on the re-elections.

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

7. Remuneration of Directors

The Executive Directors did not receive any allowance for their service provided as Directors throughout the year ended 31 December 2018. Executive Directors who are also the Company's staff are entitled to receive salaries according to their respective positions taken on a full-time basis in the Company.

Save that Mr. He Hui David did not receive any remuneration for his directorship during the year ended 31 December 2018, two out of the four Independent Non-executive Directors, were respectively remunerated at RMB171 thousand, and the remaining Independent Non-executive Director was remunerated at RMB197 thousand for their services provided for the year under review.

Information relating to the remuneration of each Director for the year under review is set out in note 7 to the financial statements on page 126 of this annual report.

8. Training of Directors

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all Directors have participated in continuous professional development by reading and watching relevant materials on the topics related to the updates on ethics and code of conduct of Directors, corporate governance, rules and regulations and operation and management of listed companies. All directors have provided written records of the training they received during 2018 to the Company.

9. Board Committees

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

Audit Committee

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

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

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED/HELD
Qi Daqing *(Chairman)*	3/3
Lian Yuming	3/3
Wang Xin	3/3

At the meetings, the committee:

- reviewed with the management and the external auditors the terms of appointment of external auditors, the accounting principles and practices adopted by the Group, and the accuracy and fairness of the 2017 annual report and the 2018 interim report;
- monitored the effectiveness of the audit process in accordance with applicable standards and discussed with the auditor the nature and scope of the audit and reporting obligations before the audit commenced;
- discussed the issues raised by the external auditors, all issues reported by the external auditors are monitored closely to ensure the issues can be addressed and resolved through appropriate measures by the Group's senior management; and
- reviewed and discussed with the management the Listing Rules compliance, and the effectiveness of the risk management and internal control systems of the Group, including reviewing the internal control reports submitted by the internal audit department of the Group and reviewing the internal audit function of the Company.

Remuneration Committee

The Remuneration Committee was established to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments inclusive of any compensation payable for loss or termination of their office or appointment, and to make recommendations to the Board on the remuneration of Non-executive Directors. The terms of reference of the Remuneration Committee are made available on the Stock Exchange's website and the Company's website. The Remuneration Committee comprised of Ms. Wang Xin, Mr. Chen Xin and Mr. Lian Yuming, majority of whom are Independent Non-executive Directors. Ms. Wang Xin is the chairman of the Remuneration Committee.

During the year under review, no meeting was held by the Remuneration Committee. However, the Board reviewed the remuneration policy and structure for all Directors and senior management, including (1) considering the basic salary and bonus schemes paid to Executive Directors and senior management; (2) reviewing the fees paid to the Independent Non-executive Directors; and (3) assessing the performance of all Directors, in the Board meeting held on 27 March 2018. As a good corporate governance practice, the Directors had abstained from voting and did not participate in the discussion on his/her own remuneration at the said Board meeting.

Compliance Committee

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

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

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

At the meeting, the committee:

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

Nomination Committee

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

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

During the year under review, one meeting of the Nomination Committee was held. The composition of the committee and the attendances at the meeting by each committee member are set out as follows:

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED/HELD
Chen Xin *(Chairman)*	1/1
Lian Yuming	1/1
Wang Xin	1/1

At the meeting, the committee:

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

10. General

The Company has arranged for directors' and officers' liability insurance for all Directors and senior officers against legal liability arising from their performance of duties. The insurance coverage is reviewed on an annual basis. For the year ended 31 December 2018, no claim has been made against our Directors and senior officers.

FINANCIAL REPORTING

1. Financial Reporting

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

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board continues to prepare the financial statements set out on pages 91 to 167 on a going concern basis.

The reporting responsibilities of the Group's external auditors, Messrs. KPMG, are set out in the Independent Auditor's Report on pages 85 to 90 of this annual report.

2. External Auditors

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

3. Auditors' Remuneration

The total fee charged by the auditors generally depends on the scope and volume of the auditors' work. During the year under review, RMB2,950 thousand was charged by the Group's external auditors for annual audit services and the auditors did not provide any non-audit services for the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

While acknowledging the responsibility for the risk management and internal control systems and for reviewing their effectiveness, the Board recognises that they are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has in place procedures and internal controls for handling and dissemination of inside information whereby the Chairman of the Board, the Chief Financial Officer and the Company Secretary work closely, seeking advice from legal advisors from time to time, if needed, with proper reporting to and approval from the Board, for proper handling and dissemination of inside information in accordance with relevant laws and regulations.

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

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

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

Any material internal control defects identified will be reported to the Audit Committee who shall supervise the management's design and implementation of rectification measures. The Audit Committee also keeps the Board informed of the rectification process. For the year ended 31 December 2018, no critical risk management and internal control weaknesses have been identified by the Board and the Board considered the risk management and internal control systems of the Company remained adequate and effective. The Audit Committee reviewed and was satisfied that the internal audit department remained adequately resourced, effective and had appropriate standing in the Company.

COMPANY SECRETARY

The Company Secretary, Mr. Wang Yingda, is responsible for facilitating the Board process, as well as communications among the Board members, the shareholders and the management. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable laws, rules and regulations are followed. Mr. Wang possesses the professional qualifications as required under Rule 3.28 of the Listing Rules. During the year under review, Mr. Wang has undertaken no less than 15 hours of relevant professional training by attending seminars to update his knowledge and skills in compliance with Rule 3.29 of the Listing Rules. The biography of Mr. Wang is set out in the section "Directors and Senior Management" on page 30 of this report.

DIVIDEND POLICY

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

COMMUNICATION WITH SHAREHOLDERS

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

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

The Company also holds investor meetings from time to time, including post results announcement non-deal roadshows, one-on-one meetings and conference calls. Shareholders can also submit enquiries to the management and the Board and send proposals to be put forward at shareholders' meeting to the Board or senior management by sending emails to ir@sinomedia.com.hk or making phone calls to our investor hotline at 86–10–65896815. In addition, the Company's dedicated investor relations team takes a proactive approach to communicate with existing and potential investors in a timely manner by making regular face-to-face meetings and conference calls with investors.

Under the Company's Articles of Association, the Board, on the requisition of shareholders of the Company holding not less than 5% of the total voting rights of all the members having a right to vote at general meetings of the Company, can convene an extraordinary general meeting pursuant to the provisions of the Companies Ordinance to address specific issues of the Company. At the annual general meeting, shareholders can raise any questions relating to performance and future direction of the Group with the Directors. The Company maintains contact with its shareholders through annual general meeting or other general meetings, and encourages shareholders to attend those meetings. The external auditor of the Company, Messrs. KPMG also attended the annual general meeting held on 8 June 2018 to answer questions about the conduct of the audit, the preparation and content of the independent auditors' report, the accounting policies and auditor independence. The Company complied with the required notice periods for general meetings under the applicable laws, rules and regulations.

CONSTITUTIONAL DOCUMENTS

In 2018, no amendment had been made to the Articles of Association of the Company.

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Environmental, Social and Governance Report

This report is the third environmental, social and governance report of SinoMedia. The report covers the work carried out during the financial year ended 31 December 2018, and discloses the data on the management approaches, strategies, priorities and objectives of the Group regarding environment, society and governance.

The Group has complied with the "comply or explain" provisions of the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in the year ended 31 December 2018. The report has been verified by the management and reviewed and approved by the Board of Directors of the Company.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects of environment, society and governance for the Group to report on in the report, key stakeholders including investors, shareholders and employees have been involved in regular discussions to identify the economic, environmental and social impacts of the Group's business, and the issues that matter the most to the stakeholders.

STAKEHOLDER'S COMMENT

The Group welcomes comments from stakeholders on our environmental, social and governance policies and performance. Relevant comments may be sent by email to ir@sinomedia.com.hk.

REPORT SCOPE

The report covers the core business of the Group, namely providing TV advertising, creative content production and digital marketing services for advertisers and advertising agencies. The overall performance in two main aspects, namely the environmental and social aspects for the financial year ended 31 December 2018 focuses on highlighting the efforts of the Group on the sustainable development in the following aspects:

— Environmental aspect (emissions, utilization of resources, environment and natural resources)

— Social aspect (employment profile, health and safety, development and training, labor standards, supply chain management, product responsibility, anti-corruption and community activities and participation)

SUSTAINABLE AND BALANCED DEVELOPMENT

Over the years, SinoMedia has been dedicatedly facilitating the sustainable development of its business, advocating environmental protection and concern the undertaking of social responsibilities, in an endeavor to set a good example for the public. At the same time, the Group also emphasized the balance of interests among shareholders, clients and employees, and preserved an equal emphasis on the business development and the fulfillment of social responsibilities.

ENVIRONMENTAL ASPECT

The Group paid great attention to environmental protection. Apart from ensuring the compliance with laws and regulations related to environmental protection, it also reduced environmental pollution by utilizing resources effectively and introducing energy-saving measures, which led to improving energy efficiency continuously. Wastes produced by the Group are mainly generated by its use of electricity, water, gasoline, paper and office supplies. Given the Group's business nature, the Group is convinced that the impact directly exerted by business operation on the environment and natural resources is insignificant. To the best knowledge of the Group, during the year ended 31 December 2018, there was no any incompliance with relevant laws and regulations (including the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes) regarding the emission of waste gas and greenhouse gas, the discharge of pollutant into waters and soil and the generation of hazardous wastes.

1. Electricity and water

Under its advocacy of green operation, the Group uses environment-friendly energy saving lamps in office space, adopts alternate lighting model for corridor lamps, installs inductive hand-washing facilities and sets reasonable velocity of the water flow, and sets energy saving mode for computers, printers, fax machines and other office equipment which allows them automatically go to sleep mode after being idle. The Group also hired special office support staff for regularly patrolling and inspecting water and electricity facilities to avoid the waste of resources caused by negligence.

2. Paper and office supplies

Under its active implementation of paperless office, the Group continuously updates office automation system, promotes the replacement of printing and fax with electrical communication, and encourages staff printing on both sides of a paper and re-use paper whenever practicable. Office supplies are provided as needed and on a limited basis to avoid waste. In addition, the Group also pays attention to the disposal of E-waste. In this regard, it regularly delivers discarded electronic devices such as computers, screens, printers and projectors to environmental recycling factories to avoid E-waste pollution.

3. Gasoline

Under its emphasis on energy saving and emission reduction, the Group formulates a strict vehicle usage system which allows to deploy vehicles in a reasonable manner according to the usage, number of passengers, destination, to reduce the driving mileage, enhance the efficiency of vehicle usage and cut down the automobile exhaust emission. Regular checks and repairs are also made for our vehicles to ensure that exhaust emissions comply with relevant national standards.

4. Training of environmental protection

The Group believes that the higher awareness of environmental protection is the precondition and critical to the better performance of environmental protection. Therefore, the Group trained its employees regularly by explaining to them relevant knowledge of energy saving and emission reduction, in order to develop the concept and habit of environmental protection among the employees.

SOCIAL ASPECT

1. Employment Profile

Demographics of employees	As at 31 December 2018	As at 31 December 2017
Total number of employees	**296**	436
By region (%)		
Beijing	**79**	78
Hangzhou	**13**	14
Shanghai	**4**	4
Nanjing	**2**	2
Hong Kong	**1**	1
Singapore	**1**	1
By gender (%)		
Male	**34**	39
Female	**66**	61
By age group (%)		
30 or below	**45**	54
31–35	**22**	24
36–40	**18**	13
41 or above	**15**	9
By education level (%)		
Above degree	**12**	9
degree	**60**	58
diploma or below	**28**	33

In terms of personnel recruitment, dismissal, remuneration, promotion, hours of work, holidays, diversification and other aspects, the Group strictly abides by the relevant laws and regulations such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China. In addition, the Group continuously optimizes its personnel structure and introduces many professional talents in the aspects of film and TV production and direction, content production, integrated marketing and media planning to continuously improve the team's comprehensive ability and professional quality. At the same time, the Group strictly abides by local laws and regulations to provide statutory benefits for employees. Addition to benefit plans including social insurance, provident fund and opportunities of further study, SinoMedia also provides humanistic benefits and awards including holiday gift money for the elderly parents of employees, loyal contribution award for employees providing long-term service, and free traveling abroad for outstanding employees. During the year, the Group provided all employees with hand-made high-grade suits and cashmere overcoats for free, and organized a number of cultural and sports activities, including the sports meeting, gathering event of the second generation of SinoMedia, tours for employees and their families, etc.

Tours for Outstanding Employees and Their Families

Gathering Event of the Second Generation of SinoMedia

2. Health and Safety

The Group regards employees as its most valuable assets, therefore, it attaches great importance to the occupational health and safety of employees. The Group procured a variety of high-end office fitness facilities and installed them in the resting areas of the office, which is for the convenience of employees to relax and relieve work pressure, and also equipped with resting room and shower room in the office building, to relieve employees' fatigue. The Group continued to provide working lunch cards to employees to provide a guarantee on the dining safety and convenience for employees, and also provided various training for employees, such as fire safety, travel safety and prevention for common occupational disease, so as to guarantee the physical and mental safety of employees. The Group was devoted to creating a safe working environment for its staff, and as far as it was aware, there was no potential occupational risk referred to in the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases in the Group.

3. Development and Training

In terms of talent nurturing, the Group builds a comprehensive platform for the all-around development of employees. The Group provides comprehensive training for new employees and appoints exclusive tutors for follow-up and guidance. Of which, the human resource department conducts regular communication and evaluation to help new employees promptly enter the working mode. For the relatively skilled employees, the Group conducts special counselling and career development assessment every year according to their specialities, and provide internal cross-functional development opportunities. With the continuous development of the Group's business, SinoMedia has cultivated a large number of inter-disciplinary talents with cross-media nature as well as both marketing and professional skills.

In terms of employee training, the Group formulates and organizes targeted training strategies and programs, including brand communication training for current events, which can help employees deeply understand the integrating point of brand communication and hot events. It holds professional sharing meeting on media innovation and creative themes and hosts prize giving competitions relating to creative schemes, to enhance the professional knowledge and practical ability of employees. It also provides analysis and data interpretation on clients' industries to help marketing staff improve service professionalism. At the same time, the Group regularly organizes the sharing of interest and perception to enrich the vision of the employees and increase team intimacy, and invites experts and coaches in various fields to conduct health, sports and art training and guidance.

4. Labor Standards

The Group strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors and the Law of the People's Republic of China on the Protection of the Rights and Interests of Women and Children and other laws and regulations, based on which, it established relevant management systems to protect the rights and interests of employees.

All employees of the Group are employed by the human resource department in compliance with legal procedures, so as to ensure each of them meets the job requirements of corresponding positions and the requirements of laws and regulations. The Group adheres to equality between men and women, equal pay for equal work and non-discrimination employment policy，fairly treats employees of different nationality, race, gender, age, religion and cultural background, safeguards the legitimate interests and rights of employees, strictly protects the personal privacy of employees, and firmly resists the use of child labors and forced labors, to earnestly fulfil its social responsibilities as a listed company.

5. Supply Chain Management

The major business suppliers of the Group are CCTV and other mainstream media organizations, all of which are legal entities with relevant qualifications and operating in compliance with national policies and regulations. During the cooperation with such suppliers, the Group conducts dynamic review on their licenses and qualifications, to ensure their compliance with the relevant requirements of and amendments to national policies and laws and regulations. The Group also motivates and facilitates the suppliers to raise the awareness of environmental protection and the sense of social responsibility.

6. Product Responsibility

The Company strictly abides by the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China and other laws and regulations. The Group continued to step up intellectual property protection by adopting comprehensive intellectual property protection measures. The Group has renewed the registration of its existing trademarks, and applied for and registered twenty three new trademarks in line of its business scope and development. The trademarks involved were Category 3 (personal care, including children's cosmetics), Category 5 (drugs), Category 9 (APP development), Category 10 (teeth aligners), Category 12 (child seats and baby carriages), Category 15 (musical instruments), Category 16 (stationeries and children's story books), Category 18 (leather luggages, children's traction belts and children's umbrellas), Category 21 (make-up appliances, housewares and children's plastic bathtubs), Category 24 (children's towels and children's blankets), Category 25 (children's garments and children's caps), Category 28 (toys), Category 29 (meat, milk and eggs), Category 30 (tea drinks, condiments, and main and complementary foods), Category 31 (fruits and vegetables), Category 32 (drinks), Category 35 (advertisements), Category 39 (tourism and transportation), Category 41 (education and training, and entertainment), Category 42 (design and development of computer hardware and software), Category 43 (catering and accommodation) and Category 44 (medical, health, beauty and etc.) and Category 45 (safety and personnel services).

7. Anti-corruption

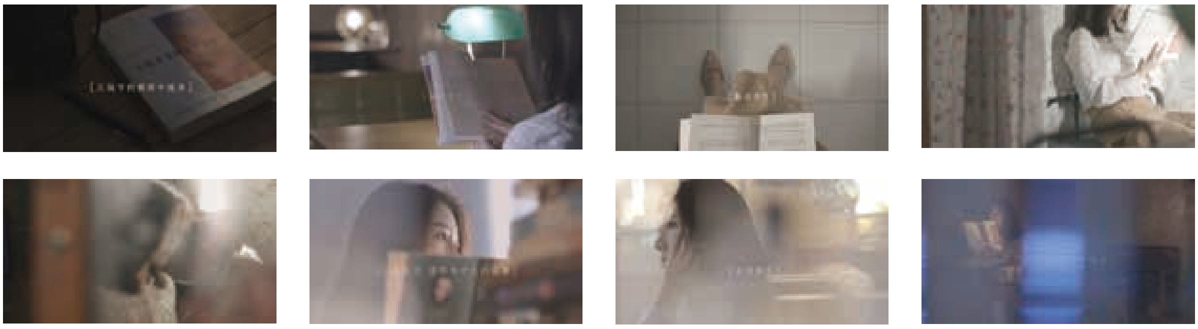
The Group strictly abides by relevant laws and regulations such as the Criminal Law of the People's Republic of China and the Company Law of the People's Republic of China. It is expressly provided in the rules and regulations and the staff manual of the Group that, all the staff shall abide by national laws and commercial standards and be prohibited from conducting or participating in any illegal acts such as bribery, blackmail, fraud and money laundering of any form. The Group has included anti-corruption provisions in all the contracts drafted or entered into by the Group, and provides regular explanations on anti-corruption during employee trainings. The internal audit department of the Group conducts special anti-corruption audits regularly, and can actively investigate and deal with any corruption-related reports and suspected information.

There was no corruption-related reports or legal cases of the Group in 2018.

8. Community Activities and Participation

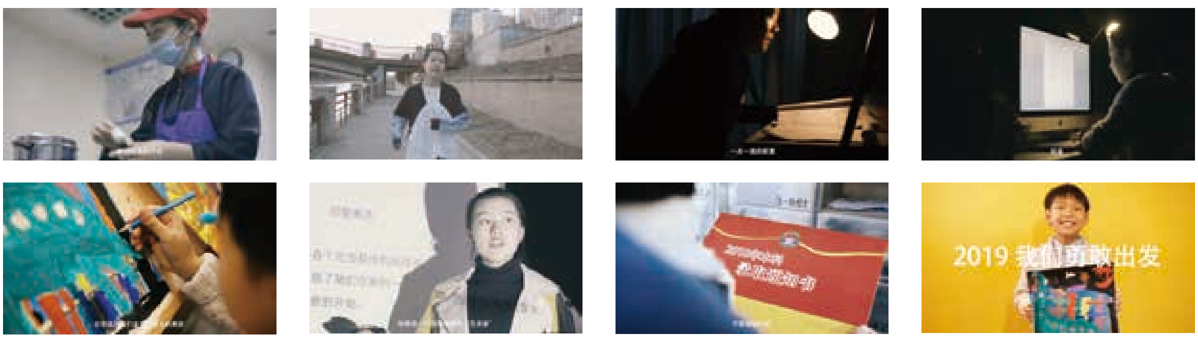
The Group focuses on community development, uses media resources to express concern for the society and is committed to promoting social harmony as an enterprise. During the year, the Group jointly with its clients produced several public welfare advertisements, in order to advocate self-achievement through reading, correctly implement rescue and deliver positive energy, etc., which received wide attention and were well recognized by the general public. By virtue of its years of extensive experience and industry advantages, SinoMedia focused on publicity for charity events, demonstrating its undertaking of social responsibilities.

The Group actively participated in social welfare. In order to help the rural schools and students in poor areas with limited access to outside information and lack of books for reading, the Group donated "Green & Shine Bookstore" to four rural schools through Beijing Green & Shine Foundation (a public charity focusing on the basic education of the underdeveloped areas in China) during the year. The Group's employees also went to Guizhou and Hunan as volunteers to participate this "Green & Shine Bookstore" charity trip.



“Cognition of Another Self”

“Correctly Rescue”



“Brave Departure in 2019”

Donate Green & Shine Bookstore

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Directors' Report

The Directors of the SinoMedia Holding Limited (the "Company") are pleased to present their annual report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated and domiciled in Hong Kong and has its registered office at Unit 402, 4th Floor, Fairmont House, No.8 Cotton Tree Drive, Admiralty, Hong Kong, and principal places of business at Unit 15D, Xintian International Plaza, No. 450 Fushan Road, Pudong New District, Shanghai, PRC and 7/F, The Place-SinoMedia Tower, No.9 Guanghua Road, Chaoyang District, Beijing, PRC.

PRINCIPAL ACTIVITIES

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

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the year ended 31 December 2018 are set out in note 14 to the financial statements.

BUSINESS REVIEW

Details of the business review and performance of the Group for the year ended 31 December 2018 are set out in the section headed "Management Discussion and Analysis". Those discussions form part of this Directors' Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Throughout 2018, there was no incidence of non-compliance with the relevant environmental laws and regulations that have a significant impact on the Group. The Group continues to do more than it is required by adopting measures to reduce energy and other resource use, minimise waste and increase recycling, encourage its employees to adopt environmentally responsible behaviour and promote environmental protection in its supply chain and marketplace.

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

COMPLIANCE WITH LAWS AND REGULATIONS

As at 31 December 2018 and up to the date of this annual report, the Board was unaware of any non-compliance with the applicable laws and regulations that have a significant impact on the Company, including but not limited to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2018 is as follows:

	Percentage of the Group's total purchases
The largest supplier	91%
Five largest suppliers in aggregate	97%

The Group's largest customer accounted for about 6% of the Group's revenue, and the Group's five largest customers accounted for about 18% of the Group's revenue.

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

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2018 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 91 to 94.

TRANSFER TO RESERVES

Profits attributable to equity shareholders of the Company, before dividends, of approximately RMB82.13 million (2017: approximately RMB93.04 million) have been transferred to reserves. Other movements in reserves are set out in the Consolidated Statement of Changes in Equity on page 95.

DIVIDENDS

Dividends totaling approximately RMB38.08 million (2017: nil) were paid to equity shareholders of the Company in 2018. The Board proposed the payment of a final dividend of HKD7.71 cents (2017: HKD8.86 cents) per share for the year ended 31 December 2018.

PROPERTY, PLANT AND EQUIPMENT

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

SHARES ISSUED IN THE YEAR

Details of the shares issued during the year under review are set out in note 22 to the financial statements.

DONATIONS

During the year under review, the Group did not make any charitable contributions (2017: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year under review, the Company purchased 17,603,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate price of HKD33,827,950. The bought-back shares had been cancelled subsequently in 2018. The details of the bought-back shares are as follows:

Date (dd/mm/yyyy)	Number of shares bought-back	Highest price HKD	Lowest price HKD	Total paid HKD
19/01/2018	530,000	1.83	1.81	965,570
09/04/2018	130,000	2.03	1.97	260,810
10/04/2018	350,000	2.10	2.06	729,570
11/04/2018	383,000	2.10	2.07	800,080
13/04/2018	109,000	2.10	2.08	228,190
16/04/2018	278,000	2.09	2.07	578,460
17/04/2018	150,000	2.08	2.08	312,000
18/04/2018	373,000	2.09	2.06	775,860
23/04/2018	111,000	2.08	2.07	230,770
25/04/2018	221,000	2.10	2.08	462,570
27/04/2018	132,000	2.10	2.07	276,100
04/05/2018	220,000	2.09	2.08	459,600
08/05/2018	288,000	2.09	2.07	599,170
10/05/2018	101,000	2.10	2.08	210,560
11/05/2018	228,000	2.10	2.09	478,020
14/05/2018	201,000	2.10	2.08	421,090
16/05/2018	229,000	2.10	2.08	478,610
17/05/2018	241,000	2.10	2.08	503,940
24/05/2018	100,000	2.10	2.10	210,000
25/05/2018	450,000	2.10	2.09	942,870
30/05/2018	261,000	2.10	2.08	545,980
31/05/2018	463,000	2.10	2.09	970,670
19/06/2018	638,000	2.08	2.04	1,315,380
20/06/2018	230,000	2.06	2.05	473,000
21/06/2018	276,000	2.08	2.06	572,060
27/06/2018	500,000	2.00	1.97	996,280
05/07/2018	435,000	1.98	1.92	851,770
13/07/2018	266,000	2.00	1.94	525,900
17/07/2018	315,000	2.00	1.94	621,610
18/07/2018	308,000	2.00	1.95	608,040
23/07/2018	203,000	2.00	1.95	402,450
29/08/2018	329,000	1.88	1.84	611,280
31/08/2018	699,000	1.90	1.85	1,309,870
04/09/2018	186,000	1.95	1.90	358,590
06/09/2018	300,000	1.95	1.92	580,210
10/09/2018	250,000	1.90	1.87	472,790
14/09/2018	250,000	1.88	1.86	468,200
18/09/2018	150,000	1.86	1.85	278,500
26/09/2018	234,000	1.87	1.85	435,180

Date (dd/mm/yyyy)	Number of shares bought-back	Highest price HKD	Lowest price HKD	Total paid HKD
08/10/2018	250,000	1.84	1.80	456,460
10/10/2018	280,000	1.82	1.81	508,540
11/10/2018	740,000	1.80	1.74	1,303,700
12/10/2018	426,000	1.80	1.76	757,020
15/10/2018	1,238,000	1.80	1.77	2,217,590
16/10/2018	559,000	1.80	1.79	1,003,610
25/10/2018	236,000	1.76	1.74	414,450
29/10/2018	93,000	1.74	1.72	160,650
30/10/2018	200,000	1.75	1.74	349,910
02/11/2018	330,000	1.76	1.73	575,340
07/11/2018	173,000	1.76	1.74	303,830
09/11/2018	275,000	1.76	1.73	483,930
13/11/2018	230,000	1.76	1.74	403,540
15/11/2018	238,000	1.76	1.74	416,970
21/11/2018	288,000	1.74	1.74	501,120
26/11/2018	268,000	1.75	1.74	467,310
04/12/2018	159,000	1.80	1.79	285,510
07/12/2018	329,000	1.80	1.76	587,620
11/12/2018	173,000	1.79	1.78	309,250
	17,603,000			33,827,950

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

DIRECTORS

The Directors during the financial year under review were:

Executive Directors

Chen Xin
Liu Jinlan
Li Zongzhou

Independent Non-executive Directors

Qi Daqing
Lian Yuming
Wang Xin
He Hui David

In accordance with Article 105 of the Company's Articles of Association, Chen Xin, Liu Jinlan and Lian Yuming shall retire by rotation at the forthcoming annual general meeting ("AGM") of the shareholders of the Company. Mr. Lian Yuming will only hold office until the conclusion of the AGM. Mr. Lian Yuming had notified the Company that he would like to devote more time to his other commitments which require more of his dedication, so he will not offer himself for re-election at the AGM. Mr. Lian confirmed that he has no disagreement with the Board and there is no other matter in relation to his retirement that needs to be brought to the attention of the Shareholders. Accordingly, Mr. Chen Xin and Ms. Liu Jinlan, being eligible, will offer themselves for re-election at the AGM.

Pursuant to Article 108, the Board has proposed the appointment of Ms. Ip Hung as an independent non-executive director of the Company subject to the approval of the shareholders of the Company by way of ordinary resolution at the AGM.

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

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

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

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

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

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

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

- Directors' fees, which are usually paid annually; and

- Share options which are rewarded subject to the discretion of the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

FIVE HIGHEST PAID INDIVIDUALS

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

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

As at 31 December 2018, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Interests in the Company — Long Positions

Name of Director	Nature of interest	Number of ordinary shares held	Number of underlying shares held under equity derivatives *(Note 1)*	Total	Approximate percentage of issued share capital of the Company
Liu Jinlan	Founder of discretionary trust, beneficiary of trust and beneficial interest	261,081,169 *(Note 2)*	2,800,000	263,881,169	53.14%
Chen Xin	Founder of discretionary trust and beneficiary of trust	257,428,165 *(Note 3)*	–	257,428,165	51.84%
Li Zongzhou	Beneficial interest	–	2,000,000	2,000,000	0.40%
Qi Daqing	Beneficial interest	–	300,000	300,000	0.06%
Lian Yuming	Beneficial interest	–	200,000	200,000	0.04%
Wang Xin	Beneficial interest	–	200,000	200,000	0.04%

Notes:

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

2. Liu Jinlan is deemed to be interested in 261,081,169 shares of the Company. These shares are held by three discretionary trusts, namely UME Trust (which assets comprised 27,101,344 shares held by United Marine Enterprise Company Limited), DFS (No. 2) Trust (which assets comprised 24,038,312 shares held by SinoMedia Investment Ltd.) and CLH Trust (which assets comprised 209,941,513 shares held by Golden Bridge International Culture Limited), all founded by Liu Jinlan. In respect of 209,941,513 shares therein held by CLH Trust, Liu Jinlan is also a beneficiary of the trust.

3. Chen Xin is deemed to be interested in 257,428,165 shares of the Company. These shares are held by three discretionary trusts, namely MHS Trust (which assets comprised 25,921,344 shares held by Merger Holding Service Company Limited), DFS (No. 1) Trust (which assets comprised 21,565,308 shares held by Digital Finance Service Company Limited) and CLH Trust (which assets comprised 209,941,513 shares held by Golden Bridge International Culture Limited), all founded by Chen Xin. In respect of 209,941,513 shares therein held by CLH Trust, Chen Xin is also a beneficiary of the trust.

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

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

Apart from the foregoing, as at 31 December 2018, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

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

The Pre-IPO Scheme expired in 2015 and the Post-IPO Scheme has expired on 7 July 2018.

The principal terms of the Schemes are as follows:

— The total number of shares of the Company issued and to be issued upon exercise of Pre-IPO Options or Post-IPO Options (whether exercised or outstanding) granted under the Schemes in any 12-month period to each grantee must not exceed 1% of the total number of issued shares of the Company.

— The exercise period of any share option granted under the Schemes shall be determined by the Board but such period must not exceed ten years from the date of grant of the relevant share option.

— The Schemes do not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.

— The exercise price of a share option to subscribe for shares of the Company shall not be less than the following prices, whichever is higher:

  - the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

  - the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, or where the Company has been listed for less than five trading days, the new issue price shall be used as the closing price.

— The acceptance of an offer of the grant of the respective share options must be made within 28 days from the date of offer with a non-refundable payment of HK$1.00 from each grantee.

As the Post-IPO Scheme has expired on 7 July 2018, the total number of securities available for issue under the outstanding options as at the date of this annual report was 21,232,000 shares which represented approximately 4% of the total number of issued shares of the Company as at the date of this annual report.

Movements of the share options under the Schemes for the year ended 31 December 2018 are as follows:

Directors	No. of options outstanding as at beginning of the year	No. of options granted during the year	No. of options exercised during the year	No. of options forfeited or lapsed during the year	No. of options outstanding at the end of the year	Date of grant	Exercise price	Exercise period
Liu Jinlan	1,200,000	–	–	(1,200,000)	–	2 July 2010	HKD1.84	Note 1
	2,800,000	–	–	–	2,800,000	30 August 2017	HKD1.77	Note 2
Li Zongzhou	900,000	–	–	(900,000)	–	2 July 2010	HKD1.84	Note 1
	2,000,000	–	–	–	2,000,000	30 August 2017	HKD1.77	Note 2
Qi Daqing	300,000	–	–	–	300,000	30 August 2017	HKD1.77	Note 2
Lian Yuming	200,000	–	–	–	200,000	29 August 2011	HKD2.62	Note 1
Wang Xin	200,000	–	–	–	200,000	11 September 2012	HKD3.22	Note 1

Employees	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options exercised during the year	No. of options forfeited or lapsed during the year	No. of options outstanding at the end of the year	Date of grant	Exercise price	Exercise period
in aggregate	4,022,500	–	–	(4,022,500)	–	02 July 2010	HKD1.84	Note 1
	650,000	–	–	(650,000)	–	06 December 2010	HKD2.88	Note 1
	120,000	–	–	–	120,000	29 August 2011	HKD2.62	Note 1
	800,000	–	–	–	800,000	09 January 2012	HKD2.36	Note 1
	310,000	–	–	–	310,000	11 September 2012	HKD3.22	Note 1
	260,000	–	–	–	260,000	12 April 2013	HKD4.31	Note 1
	690,000	–	–	(40,000)	650,000	19 July 2013	HKD6.86	Note 1
	800,000	–	–	–	800,000	10 September 2014	HKD5.50	Note 1
	640,000	–	–	–	640,000	19 September 2015	HKD2.59	Note 1
	13,052,000	–		(800,000)	12,252,000	30 August 2017	HKD1.77	Note 2

Notes:

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

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

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

As at 31 December 2018, so far as known to the Directors and chief executive of the Company, the following corporations (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO.

Substantial shareholder	Nature of interest	Total number of ordinary shares held	% of total issued shares
Equity Trustee Limited	Trustee *(Note 1)*	308,567,821	62.13%
CLH Holding Limited	Corporate interest *(Note 2)*	209,941,513	42.27%

Notes:

1. Equity Trustee Limited is deemed to be interested in 308,567,821 shares of the Company as it is the trustee of CLH Trust (which assets comprised 209,941,513 shares held by Golden Bridge International Culture Limited), MHS Trust (which assets comprised 25,921,344 shares held by Merger Holding Service Company Limited), UME Trust (which assets comprised 27,101,344 shares held by United Marine Enterprise Company Limited), DFS (No. 1) Trust (which assets comprised 21,565,308 shares held by Digital Finance Service Company Limited) and DFS (No. 2) Trust (which assets comprised 24,038,312 shares held by SinoMedia Investment Ltd.).

2. These shares are directly held by Golden Bridge International Culture Limited which is a wholly owned subsidiary of Golden Bridge Int'l Advertising Holdings Limited which in turn is a wholly owned subsidiary of CLH Holding Limited. CLH Holding Limited is deemed to be interested in 209,941,513 shares of the Company held by Golden Bridge International Culture Limited.

Save as disclosed above, so far as known to the Directors and chief executive of the Company, as at 31 December 2018, there was no other person or corporation (other than a Director or chief executive of the Company) who had any interests or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of the Divisions 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

INFORMATION ON VARIABLE INTEREST ENTITY ("VIE") STRUCTURE

Background — the Old VIE Structure

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

Termination of Old VIE Structure

Equity Transfer Agreements

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

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

1. **First Equity Transfer Agreement**

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

2. Second Equity Transfer Agreement

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

Supplemental Agreement

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

Establishment of New VIE Structure

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

The New Structure Contracts

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

1. **Exclusive Consultancy Service Agreement**

Date:	27 April 2018
Parties:	(i) CTV Media (Shanghai)
	(ii) Culture Development
Subject Matter:	CTV Media (Shanghai) agreed to provide relevant consultancy and supporting services as the exclusive provider of Culture Development. Such consultancy services include but not limited to problem-based solution design, business and strategic planning, clientele management and development, employee development and training, promotion and public relationship, accounting and financial management etc. at the agreed service fees.

In consideration of the provision of management and consultancy services by CTV Media (Shanghai), Culture Development shall pay a consultancy fee to CTV Media (Shanghai) on an annual basis, which shall be equivalent to 100% of the consolidated profit before tax of Culture Development (such profit to be calculated after deducting all reasonably incurred costs and expenses) in connection with the business operation of Culture Development.

The service fee for the immediately preceding year will be payable to CTV Media (Shanghai) by Culture Development in the first quarter of each year, and such service fee is determined with reference to (i) the complexity of the services provided; (ii) the time spent on such services; (iii) the value of such services; and (iv) the prevailing market price for such services. CTV Media (Shanghai) may in writing agree to adjust the service fees with reference to the services provided and operation need of Culture Development. In the event Culture Development records a consolidated net loss, Culture Development shall not be required to pay any service fee to CTV Media (Shanghai).

CTV Media (Shanghai) shall have the exclusive proprietary rights to all intellectual property rights developed or created during the performance of the Exclusive Consultancy Service Agreement and/or other agreements entered into by the parties and related parties. At the request of CTV Media (Shanghai), Culture Development shall assign its intellectual property rights to CTV Media (Shanghai) unconditionally at the minimum price permitted under the then applicable PRC laws and regulations.

Term:	A period of 10 years commencing from the Effective Date, which shall be automatically renewed for another 10 years unless CTV Media (Shanghai) serves notice in writing to Culture Development prior to expiry of the initial term. The Exclusive Consultancy Service Agreement shall be terminated prior to expiration of the term should the business period of either CTV Media (Shanghai) or Culture Development expires or be terminated by any other reason, unless such party has transferred all rights and obligations under the Exclusive Consultancy Service Agreement.

2. Loan Agreement

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

3. **Exclusive Purchase Option Agreement**

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

4. **Equity Pledge Agreement**

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

5. **Business Operation Agreement**

Date:	27 April 2018
Parties:	(i) CTV Media (Shanghai) (ii) Culture Development (iii) New Legal Owners
Subject Matter:	At the request of Culture Development, CTV Media (Shanghai) may opt to serve as performance guarantor for Culture Development in any business operation agreements or transactions Culture Development may enter into with third parties, in which case, as a counter-guarantee, Culture Development shall pledge 100% of its account receivable arising from its business operation to CTV Media (Shanghai).

5. **Business Operation Agreement** (continued)

Each of Culture Development and the New Legal Owners agree that, in the absence of CTV Media (Shanghai)'s written consent, Culture Development shall not engage in any transaction which may materially affect its asset, obligations, right and operation, including but not limited to: (i) borrowing or assuming liabilities from any third party that exceed RMB10 million; (ii) selling to or acquiring asset or rights from any third party, including but not limited to intellectual property rights; (iii) providing guarantee in favour of any third party by creating security over its asset and intellectual property; and (iv) transferring any operational agreement in the amount exceeding RMB10 million to any third party.

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

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

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

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

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

Information on Culture Development and the New Legal Owners

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

During the year ended 31 December 2018, Culture Development recorded a revenue of approximately RMB24.80 million and a consolidated revenue of approximately RMB124.01 million; a profit of approximately RMB5.06 million and a consolidated profit of approximately RMB0.46 million. As at 31 December 2018, the consolidated total assets and consolidated net liabilities of Culture Development were approximately RMB393.48 million and RMB26.26 million respectively.

During the year ended 31 December 2017, Culture Development recorded a revenue of approximately RMB25.40 million and a consolidated revenue of approximately RMB105.73 million; a profit of approximately RMB5.41 million and a consolidated loss of approximately RMB10.33 million. As at 31 December 2017, the consolidated total assets and consolidated net liabilities of Culture Development were approximately RMB394.37 million and RMB26.56 million respectively.

Ms. Liu Zhiyi is a PRC resident and is the daughter of the Old Legal Owners. She is currently the general manager of the film and television creation centre of the Group.

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

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

Reasons for adopting the VIE Structure

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

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

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

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

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

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

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

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

Risks related to the VIE Structure

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

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

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

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

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

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

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

ownership

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

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

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

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

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

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

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

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

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

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

Unwinding the New VIE Structure

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

However, for the year ended 31 December 2018, none of the New Structure Contracts have been unwound as none of laws regulating the business of Culture Development that led to the adoption of the New Structure Contracts has been removed.

CONNECTED TRANSACTIONS

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

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement nor contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company, his connected entity or his/her associate had a material interest, whether directly or indirectly, subsisted at 31 December 2018 or at any time during the year under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than share options under the Post-IPO Scheme as disclosed above, at no time during the year ended 31 December 2018 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

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

EQUITY-LINKED AGREEMENTS

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

FIVE YEAR FINANCIAL SUMMARY

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

PROVIDENT AND RETIREMENT FUND SCHEMES

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

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2018 have been audited by the Company's auditors, KPMG, who shall retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as the Company's auditors will be proposed at the forthcoming AGM.

AUDIT COMMITTEE

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

By order of the Board
Chen Xin
Chairman

Independent Auditor's Report

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

(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of SinoMedia Holding Limited ("the Company") and its subsidiaries ("the Group") set out on pages 91 to 167, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Recognition of revenue from TV media resources management

Refer to note 3 to the consolidated financial statements and the accounting policies on page 117.

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

KEY AUDIT MATTERS (continued)

Allowance for impairment of trade receivables

Refer to note 16 to the consolidated financial statements and the accounting policies on page 108.

The Key Audit Matter	How the matter was addressed in our audit
The total allowance for impairment of trade receivables balances as at 31 December 2018 was RMB90,601 thousand and the related impairment charge for the year then ended was RMB10,496 thousand, which represented 8.89% of the Group's profit before taxation for the year ended 31 December 2018. The Group's trade receivables mainly arose from TV media resources management operations. Management measured loss allowance at an amount equal to lifetime expected credit loss, based on aging of the receivables and loss rate, for the receivables existed during the reporting periods in which IFRS 9 and HKFRS 9 were applicable. We identified loss allowance for accounts receivables as a key audit matter because accounts receivables and loss allowance are material to the Group and because the recognition of expected credit losses is inherently subjective and requires the exercise of significant management judgement, which gives rise to an inherent risk that impairment losses for trade receivables could be misstated.	Our audit procedures to assess the allowance for impairment of trade receivables included the following: • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, segmentation of accounts receivable, estimate of expected credit losses and making related allowances; • Obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by the Management, including the basis of the segmentation of the accounts receivable based on credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate; • Assessing the reasonableness of Management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; • Assessing whether items were correctly categorised in the accounts receivables aging report by comparing individual items, on a sample basis, with advertising contracts and monitoring report; and • comparing the subsequent settlement of trade receivables balances as at 31 December 2018 with bank statements and relevant underlying documentation.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Ka Chun.

KPMG
Certified Public Accountants

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

27 March 2019

Consolidated Statement of Profit or Loss

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	**2018** **RMB'000**	2017 *(Note)* *RMB'000*
Revenue	3	**1,615,704**	1,472,698
Cost of services		**(1,360,814)**	(1,173,591)
Gross profit		**254,890**	299,107
Other revenue	4	**3,059**	6,612
Selling and marketing expenses		**(59,446)**	(60,995)
General and administrative expenses		**(97,106)**	(106,283)
Profit from operations		**101,397**	138,441
Finance income	5(a)	**17,198**	8,605
Finance costs	5(a)	**(581)**	(2,098)
Net finance income		**16,617**	6,507
Profit before taxation		**118,014**	144,948
Income tax	6(a)	**(37,085)**	(54,662)
Profit for the year		**80,929**	90,286
Attributable to:			
Equity shareholders of the Company		**82,127**	93,042
Non-controlling interests		**(1,198)**	(2,756)
Profit for the year		**80,929**	90,286
Earnings per share			
Basic and diluted (RMB cents)	10	**16.2**	17.7

Note: The Group has initially applied IFRS/HKFRS 15 and IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 97 to 167 form part of these financial statements. Details of dividends payable to equity shareholders of the Company for the year are set out in note 22(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2018
(Expressed in Renminbi)

	2018 RMB'000	2017 (Note) RMB'000
Profit for the year	**80,929**	90,286
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments)	**4,037**	(3,970)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company and overseas subsidiaries	**4,037**	(3,970)
Total comprehensive income for the year	**84,966**	86,316
Attributable to:		
Equity shareholders of the Company	**86,164**	89,072
Non-controlling interests	**(1,198)**	(2,756)
Total comprehensive income for the year	**84,966**	86,316

Note: The Group has initially applied IFRS/HKFRS 15 and IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 97 to 167 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Non-current assets			
Property, plant and equipment	11	**229,738**	239,256
Investment property	11	**576,684**	589,110
Intangible assets	12	**22,399**	24,902
Goodwill	13	**6,002**	6,002
Trade and other receivables	16	**865**	865
		835,688	860,135
Current assets			
Other current financial assets	15(a)	**1,737**	1,537
Trade and other receivables	16	**428,745**	631,771
Restricted bank deposits		**—**	595
Time deposits with original maturity over three months		**8,514**	10,636
Cash and cash equivalents	17	**715,109**	678,791
		1,154,105	1,323,330
Current liabilities			
Trade and other payables	18	**121,656**	533,990
Contract liabilities	19	**241,275**	—
Current taxation	21(a)	**37,508**	74,037
		400,439	608,027
Net current assets		**753,666**	715,303
Total assets less current liabilities		**1,589,354**	1,575,438
NET ASSETS		**1,589,354**	1,575,438

The notes on pages 97 to 167 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
CAPITAL AND RESERVES			
Share capital	22(c)	**510,981**	510,981
Reserves		**1,085,380**	1,068,777
Total equity attributable to equity shareholders of the Company		**1,596,361**	1,579,758
Non-controlling interests		**(7,007)**	(4,320)
TOTAL EQUITY		**1,589,354**	1,575,438

Note: The Group has initially applied IFRS/HKFRS 15 and IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

Approved and authorised for issue by the board of directors on 27 March 2019.

Chen Xin
Chairman

Li Zongzhou
Director

The notes on pages 97 to 167 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *(note 22(c))*	Capital reserve RMB'000 *(note 22(d)(i))*	Statutory reserve RMB'000 *(note 22(d)(ii))*	Translation reserve RMB'000 *(note 22(d)(iii))*	Other reserves RMB'000 *(note 22(d)(iv))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	510,981	24,122	126,886	(1,254)	2,308	857,912	1,520,955	(1,249)	1,519,706
Changes in equity for 2017:									
Profit for the year	–	–	–	–	–	93,042	93,042	(2,756)	90,286
Other comprehensive loss	–	–	–	(3,970)	–	–	(3,970)	–	(3,970)
Total comprehensive income	–	–	–	(3,970)	–	93,042	89,072	(2,756)	86,316
Equity-settled share-based transactions *(note 20)*	–	1,718	–	–	–	–	1,718	–	1,718
Purchase of own shares	–	–	–	–	–	(31,987)	(31,987)	–	(31,987)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(315)	(315)
Balance at 31 December 2017 *(note)*	510,981	25,840	126,886	(5,224)	2,308	918,967	1,579,758	(4,320)	1,575,438
Impact on initial application of IFRS/HKFRS 9	**–**	**–**	**–**	**–**	**–**	**(4,718)**	**(4,718)**	**(60)**	**(4,778)**
Balance at 1 January 2018	**510,981**	**25,840**	**126,886**	**(5,224)**	**2,308**	**914,249**	**1,575,040**	**(4,380)**	**1,570,660**
Changes in equity for 2018:									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**82,127**	**82,127**	**(1,198)**	**80,929**
Other comprehensive income	**–**	**–**	**–**	**4,037**	**–**	**–**	**4,037**	**–**	**4,037**
Total comprehensive income	**–**	**–**	**–**	**4,037**	**–**	**82,127**	**86,164**	**(1,198)**	**84,966**
Equity-settled share-based transactions *(note 20)*	**–**	**2,894**	**–**	**–**	**–**	**–**	**2,894**	**–**	**2,894**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(29,088)**	**(29,088)**	**–**	**(29,088)**
Acquisition of non-controlling interests	**–**	**(571)**	**–**	**–**	**–**	**–**	**(571)**	**(1,429)**	**(2,000)**
Dividends paid to equity shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**(38,078)**	**(38,078)**	**–**	**(38,078)**
Balance at 31 December 2018	**510,981**	**28,163**	**126,886**	**(1,187)**	**2,308**	**929,210**	**1,596,361**	**(7,007)**	**1,589,354**

Note: The Group has initially applied IFRS/HKFRS 15 and IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 97 to 167 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Operating activities			
Cash generated from operations	17(b)	**159,380**	279,465
PRC income tax paid	21(a)	**(73,614)**	(8,782)
Net cash generated from operating activities		**85,766**	270,683
Investing activities			
Payment for purchase of property, plant and equipment	11	**(1,286)**	(1,194)
Payment for purchase of intangible assets		**(1,083)**	(3,678)
Proceeds from disposal of property, plant and equipment		**354**	—
Proceeds from disposal of a subsidiary		**739**	—
Refund/(payment) of restricted cash		**595**	(595)
Received of time deposits with initial term over three months		**2,122**	1,062
Interest received		**17,198**	8,265
Net cash generated from investing activities		**18,639**	3,860
Financing activities			
Repayment of bank loans		**—**	(110,000)
Payment for purchase of own shares		**(29,088)**	(31,987)
Borrowing costs paid		**—**	(2,040)
Dividends paid to non-controlling interests		**(240)**	(286)
Dividends paid to equity shareholders of the Company		**(38,078)**	—
Net cash used in financing activities		**(67,406)**	(144,313)
Net increase in cash and cash equivalents		**36,999**	130,230
Cash and cash equivalents at 1 January		**678,791**	552,531
Effect of foreign exchange rate changes		**(681)**	(3,970)
Cash and cash equivalents at 31 December	17	**715,109**	678,791

Note: The Group has initially applied IFRS/HKFRS 15 and IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 97 to 167 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations issued by the International Accounting Standards Board (IASB). As Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong, are derived from and consistent with IFRSs, these financial statements also comply with HKFRSs. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group").

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

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

— investments in equity securities (see note 1(f)); and

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

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

(i) IFRS/HKFRS 9, *Financial instruments*

(ii) IFRS/HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

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

IFRS/HKFRS 9 replaces IAS/HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising, classifying and measuring financial instruments and impairment of financial assets.

The Group has applied IFRS/HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS/HKAS 39.

The following table summarises the impact of transition to IFRS/HKFRS 9 on retained earnings at 1 January 2018:

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on:	
— financial assets measured at amortised cost	4,718
Net decrease in retained earnings at 1 January 2018	4,718
Non-controlling interests	
Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests at 1 January 2018	60

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) IFRS/HKFRS 9, Financial instruments, including the amendments to IFRS/HKFRS 9, Prepayment features with negative compensation (continued)

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

a. Classification and measurement of financial assets and financial liabilities

IFRS/HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS/HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS/HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS/HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS/HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS/HKAS 39 to those determined in accordance with IFRS/HKFRS 9:

	IAS/HKAS 39 carrying amount at 31 December 2017 *RMB'000*	Reclassification *RMB'000*	Remeasurement *RMB'000*	IFRS/HKFRS 9 carrying amount at 1 January 2018 *RMB'000*
Financial assets carried at amortised cost				
Trade and other receivables	632,636	–	(4,778)	627,858
Restricted bank deposits	595	–	–	595
Time deposits with original maturity over three months	10,636	–	–	10,636
Cash and cash equivalents	678,791	–	–	678,791
	1,322,658	–	(4,778)	1,317,880
Financial assets carried at FVPL				
Equity securities not held for trading *(note (i))*	–	–	–	–
Other derivative assets *(note (ii))*	1,537	–	–	1,537
	1,537	–	–	1,537

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) IFRS/HKFRS 9, Financial instruments, including the amendments to IFRS/HKFRS 9, Prepayment features with negative compensation (continued)

a. Classification and measurement of financial assets and financial liabilities (continued)

Note:

(i) Under IAS/HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS/HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group's investment in Ftuan.com continued to be measured at FVPL under IFRS/HKFRS 9, and the investment had been fully impaired.

(ii) Derivative financial asset, investment in K WIZDOM PTE LTD's convertible note, was classified as financial assets at FVPL under IAS/HKAS 39. These assets continue to be measured at FVPL under IFRS/HKFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS/HKFRS 9, see respective accounting policy notes in notes 1(f), (g), (l)(i), (o) and (p).

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

b. Credit losses

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

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

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

For further details on the Group's accounting policy for accounting for credit losses, see note 1(l).

The following table reconciles the closing loss allowance determined in accordance with IAS/HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS/HKFRS 9 as at 1 January 2018:

	RMB'000
Loss allowance at 31 December 2017 under IAS/HKAS 39	80,105
Additional credit loss recognised at 1 January 2018 on:	
— Trade receivables	4,778
Loss allowance at 1 January 2018 under IFRS/HKFRS 9	84,883

(c) Changes in accounting policies (continued)

(i) IFRS/HKFRS 9, Financial instruments, including the amendments to IFRS/HKFRS 9, Prepayment features with negative compensation (continued)

c. Transition

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

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS/HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS/HKAS 39 and thus may not be comparable with the current period.

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

- the determination of the business model within which a financial asset is held; and
- the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

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

(ii) IFRS/HKFRS 15, Revenue from contracts with customers

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

IFRS/HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS/HKAS 11 and 18. As allowed by IFRS/HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(ii) IFRS/HKFRS 15, Revenue from contracts with customers (continued)

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

Presentation of contract assets and liabilities

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

To reflect these changes in presentation, the Group has reclassified advances from customers amounting to RMB405,464,051 from trade and other payables to contract liabilities at 1 January 2018.

As at 1 January 2018 and 31 December 2018, the Group's right to consideration for the goods and services transferred to the customers is unconditional (i.e. only the passage of time is required before the payment is due). Accordingly, the Group presents such right to consideration as receivables rather than contract assets.

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

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

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

(d) Subsidiaries and non-controlling interests

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

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

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate.

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

(e) Goodwill

Goodwill represents the excess of

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other investments in equity securities

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

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Investments other than equity investments

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

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

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

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

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(v)(v).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other investments in equity securities (continued)

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 1(l)(i) — policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in notes 1(v)(v) and 1(v)(vi), respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 1(l)(i) — policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Investment property

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

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

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(k).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses:

— buildings held for own use; and

— other items of plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

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

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

(j) Intangible assets (other than goodwill)

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

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

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

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

Both the period and method of amortisation are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(h)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(h)) or is held for development for sale.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

(A) Policy applicable from 1 January 2018

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

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

— lease receivables.

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

Measurement of ECLs

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(A) Policy applicable from 1 January 2018 (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(A) Policy applicable from 1 January 2018 (continued)

Basis of calculation of interest income

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

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

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

— significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

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

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

(B) Policy applicable prior to 1 January 2018 (continued)

— significant financial difficulties of the debtor;

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

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

— For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

— For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Impairment of other non-current assets

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

— property, plant and equipment;

— investment property;

— intangible assets;

— goodwill; and

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

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

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

(iii) Interim financial reporting and impairment

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

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

(m) Other contract costs

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

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

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

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

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

(n) Contract liabilities

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Contract liabilities (continued)

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Policy prior to 1 January 2018

Amounts received before the related work was performed were presented as "advances from customers" under "trade and other payables". These balances have been reclassified on 1 January 2018 as shown in note 19.

(o) Trade and other receivables

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

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

(p) Cash and cash equivalents

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

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Interest-bearing borrowings

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

(s) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(t) Income tax

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

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

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

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

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

— the same taxable entity; or

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

(u) Provisions and contingent liabilities

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

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

(v) Revenue and other income

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

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

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

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

(i) TV media resources management

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income (continued)

(ii) Integrated communication services and content operations

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

(iii) Digital marketing and internet media

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

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividends

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

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

(vi) Interest income

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

(vii) Government grants

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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

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

(x) Borrowing costs

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

(y) Related parties

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

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

  (ii) has significant influence over the Group; or

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties (continued)

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

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

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

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

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

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

(z) Segment reporting

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

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

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has determined and presented a single reportable segment to disclose information as a whole about its services, geographical areas, and major customers.

For the year ended 31 December 2018, there are RMB7,137 thousand of revenue generated from outside Mainland China (2017: RMB6,361 thousand). As at 31 December 2018 and 2017, the balances of non-current assets, which are based on the physical location of the assets located outside Mainland China, are amounting to RMB73 thousand and RMB149 thousand respectively.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an ongoing basis, the Group evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

— Impairment of goodwill

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

— Depreciation

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

3 REVENUE

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

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

	2018 *RMB'000*	2017 *RMB'000*
Revenue from contracts with customers within the scope of IFRS/HKFRS 15		
— Revenue from TV media resources management	**1,403,362**	1,242,418
— Revenue from integrated communication services and content operations	**81,778**	122,781
— Revenue from digital marketing and internet media	**86,738**	79,893
Less: Sales taxes and surcharges	**(9,259)**	(11,154)
	1,562,619	1,433,938
Revenue from rental		
— Revenue from rental	**60,371**	44,591
Less: Sales taxes and surcharges	**(7,286)**	(5,831)
	53,085	38,760
	1,615,704	1,472,698

Note: The Group has initially applied IFRS/HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS/HKAS 11 and 18 (see note 1(c)(ii)).

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

4 OTHER REVENUE

	Note	2018 *RMB'000*	2017 *RMB'000*
Government grant		**1,718**	2,528
Others		**1,341**	4,084
		3,059	6,612

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

5 PROFIT BEFORE TAXATION

(a) Finance income and costs

	2018 RMB'000	2017 RMB'000
Interest income on bank deposits	**17,198**	8,265
Net foreign exchange gain	**—**	340
Finance income	**17,198**	8,605
Interest on bank borrowings	**—**	(2,040)
Net foreign exchange loss	**(529)**	—
Others	**(52)**	(58)
Finance costs	**(581)**	(2,098)
Net finance income	**16,617**	6,507

(b) Staff cost

	Note	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits		**86,261**	93,957
Contributions to defined contribution plan	*(i)*	**7,486**	8,155
Equity-settled share-based payment expenses	*20*	**2,894**	1,718
		96,641	103,830

(i) Defined contribution plan

As stipulated by the regulations of the PRC, the Group participates in a defined contribution plan organised by municipal and provincial governments for its employees. The Group is required to make contributions to the contribution plans at rates ranging from 14% to 20% (2017: 14% to 19%) of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

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

5 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

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

	Note	2018 RMB'000	2017 (Note) RMB'000
Amortisation			
— intangible assets	12	**3,622**	3,432
Depreciation	17(b)	**23,082**	23,370
Impairment losses			
— trade debtors and bills receivable		**5,718**	7,483
— other receivables		**5,342**	—
		11,060	7,483
Operating lease charges: minimum lease payments			
— hire of machinery		**197**	210
— hire of properties		**4,590**	5,046
		4,787	5,256
Auditors' remuneration			
— audit services		**2,950**	2,950
Professional fee		**2,512**	3,279
Research and development costs (other than amortisation and depreciation)		**3,185**	5,496

Note: The Group has initially applied IFRS/HKFRS 15 and IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018 RMB'000	2017 RMB'000
Current tax		
Provision for PRC income tax for the current year	**33,905**	57,469
Under-provision/(over-provision) in respect of prior years	**3,180**	(2,781)
Deferred tax		
Origination and reversal of temporary differences	**—**	(26)
Total income tax expense	**37,085**	54,662

(i) No provision has been made for Hong Kong profits tax as the Company did not earn any income subject to Hong Kong profits tax during the year.

(ii) No provision has been made for Hong Kong profits tax and Singapore income tax as the Company's subsidiaries in Hong Kong and Singapore had unutilised tax losses brought forward from prior years which was sufficient to set-off against taxable income of 2018.

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

Beijing Lotour Huicheng Internet Technology Group Limited ("Lotour Huicheng") is at a preferential rate of 15% as an advanced technology-based service enterprise. Beijing Laite Laide Management Consultancy Company Limited ("Laite Laide") is at a preferential rate of 20% as a small meager-profit enterprise. Except for the Company and its subsidiaries in Hong Kong and Singapore, Lotour Huicheng and Laite Laide, applicable income tax rate of other Group entities in the PRC is the statutory tax rate of 25%.

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

	2018 RMB'000	2017 RMB'000
Profit before taxation	**118,014**	144,948
Notional tax on profit before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions	**30,594**	37,201
Tax effect of non-deductible expenses	**610**	3,853
Dividends withholding tax	**—**	10,469
Tax effect of temporary differences not recognised	**4,794**	7,882
Tax effect of use of tax losses in prior years	**(576)**	—
Tax effect of non-taxable income	**(714)**	(1,153)
Under-provision in respect of prior years	**3,180**	(2,781)
Others	**(803)**	(809)
Actual tax expense	**37,085**	54,662

7 DIRECTORS' EMOLUMENTS

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

For the year ended 31 December 2018

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Contribution to defined contribution plan RMB'000	Equity settled share-based payment RMB'000	2018 Total RMB'000
Executive directors						
Chen Xin	–	1,183	198	126	–	1,507
Liu Jinlan	–	1,696	378	131	432	2,637
Li Zongzhou	–	1,336	293	–	308	1,937
Independent non-executive directors						
Qi Daqing	197	–	–	–	46	243
Lian Yuming	171	–	–	–	–	171
Wang Xin	171	–	–	–	–	171
He Hui David	–	–	–	–	–	–
	539	4,215	869	257	786	6,666

For the year ended 31 December 2017

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Contribution to defined contribution plan RMB'000	Equity settled share-based payment RMB'000	2017 Total RMB'000
Executive directors						
Chen Xin	–	1,236	581	51	–	1,868
Liu Jinlan	–	1,765	790	51	166	2,772
Li Zongzhou	–	1,340	720	–	119	2,179
Independent non-executive directors						
Qi Daqing	187	–	–	–	18	205
Lian Yuming	168	–	–	–	–	168
Wang Xin	168	–	–	–	–	168
He Hui David	–	–	–	–	–	–
	523	4,341	2,091	102	303	7,360

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments during the year ended 31 December 2018, three (2017: three) are Directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2017: two) individuals are as follows:

	2018 *RMB'000*	2017 *RMB'000*
Salaries, allowances and other benefits in kind	**2,405**	2,410
Discretionary bonuses	**832**	1,761
Contribution to defined contribution plan	**134**	101
Equity-settled share-based transactions	**154**	59
	3,525	4,331

The emoluments of the two (2017: two) individuals with the highest emoluments are within the following bands:

	2018	2017
RMB1,500,001 to RMB2,000,000	**2**	1
RMB2,000,001 to RMB2,500,000	**–**	1

9 OTHER COMPREHENSIVE INCOME

There are no tax effects relating to the exchange differences on translation of financial statements of the Company and its subsidiaries in Hong Kong and Singapore during the year (2017: nil).

(Expressed in Renminbi unless otherwise indicated)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB82,127 thousand (2017: RMB93,042 thousand) and the weighted average of 506,896 thousand ordinary shares (2017: 526,648 thousand shares) in issue during the year, calculated as follows:

	2018 **_RMB'000_**	2017 _RMB'000_
Profit attributable to ordinary equity shareholders	**82,127**	93,042

Weighted average number of ordinary shares	**2018** **_'000_**	2017 _'000_
Issued ordinary shares at 1 January	**514,216**	535,332
Effect of shares repurchased	**(7,320)**	(8,684)
Weighted average number of ordinary shares at 31 December	**506,896**	526,648

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB82,127 thousand (2017: RMB93,042 thousand) and the weighted average number of ordinary shares of 506,896 thousand shares (2017: 526,648 thousand shares after adjusting for the effect of share options in issue), calculated as follows:

	2018 **_RMB'000_**	2017 _RMB'000_
Profit attributable to ordinary equity shareholders (basic and diluted)	**82,127**	93,042

Weighted average number of ordinary shares (diluted)	**2018** **_'000_**	2017 _'000_
Weighted average number of ordinary shares (basic)	**506,896**	526,648
Effect of share options in issue	**—**	—
Weighted average number of ordinary shares (diluted) at 31 December	**506,896**	526,648

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

(a) Reconciliation of carrying amount

	Buildings held for own use carried at cost *RMB'000*	Fixtures, fittings and computer equipment *RMB'000*	Motor vehicles *RMB'000*	Sub-total *RMB'000*	Investment property *RMB'000*	Total *RMB'000*
Original cost						
Balance at 1 January 2017	273,935	13,876	15,098	302,909	669,520	972,429
Additions	—	884	310	1,194	—	1,194
Disposals	—	(1,337)	(133)	(1,470)	—	(1,470)
Balance at 31 December 2017	273,935	13,423	15,275	302,633	669,520	972,153
Balance at 1 January 2018	**273,935**	**13,423**	**15,275**	**302,633**	**669,520**	**972,153**
Additions	**—**	**504**	**782**	**1,286**	**—**	**1,286**
Disposals	**—**	**(1,084)**	**(1,264)**	**(2,348)**	**—**	**(2,348)**
Reclassification	**(3,547)**	**—**	**—**	**(3,547)**	**3,547**	**—**
Balance at 31 December 2018	**270,388**	**12,843**	**14,793**	**298,024**	**673,067**	**971,091**
Depreciation						
Balance at 1 January 2017	30,750	11,728	13,634	56,112	65,614	121,726
Charge for the year	7,209	1,025	365	8,599	14,796	23,395
Disposals	—	(1,207)	(127)	(1,334)	—	(1,334)
Balance at 31 December 2017	37,959	11,546	13,872	63,377	80,410	143,787
Balance at 1 January 2018	**37,959**	**11,546**	**13,872**	**63,377**	**80,410**	**143,787**
Charge for the year	**7,117**	**848**	**362**	**8,327**	**14,796**	**23,123**
Disposals	**—**	**(1,040)**	**(1,201)**	**(2,241)**	**—**	**(2,241)**
Reclassification	**(1,177)**	**—**	**—**	**(1,177)**	**1,177**	**—**
Balance at 31 December 2018	**43,899**	**11,354**	**13,033**	**68,286**	**96,383**	**164,669**
Net book value						
At 31 December 2018	**226,489**	**1,489**	**1,760**	**229,738**	**576,684**	**806,422**
At 31 December 2017	235,976	1,877	1,403	239,256	589,110	828,366

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

(b) Fair value measurement of investment properties

According to the Property Valuation Report issued by Beijing Guorongxinghua Real Estate Appraisal Co., Ltd., an independent qualified valuer in Beijing, the fair value as at 31 December 2018 of the Group's investment properties are RMB1,131,674 thousand (2017: RMB1,124,647 thousand).

(c) Fixed assets held under finance leases

According to the purchase contract of The Place-SinoMedia Tower, the Group could use the fifth floor and basement three for free from 31 January 2013 to 30 August 2047 and 30 August 2057 respectively. As the two floors transferred to the Group substantially all the risks and rewards of ownership, they are classified as being held under finance leases.

At the end of the reporting period, the net book value of buildings held under finance leases of the Group was RMB14,917 thousand (2017: RMB15,424 thousand).

(d) Investment properties leased out under operating leases

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

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Within 1 year	**59,180**	47,279
After 1 year but within 5 years	**189,118**	168,509
	248,298	215,788

12 INTANGIBLE ASSETS

	Development costs *RMB'000*	Patents and trademarks *RMB'000*	Softwares *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2017	17,556	42,553	616	60,725
Additions through internal development	3,991	—	—	3,991
Reduction through disposal	—	(3,696)	—	(3,696)
At 31 December 2017	21,547	38,857	616	61,020
At 1 January 2018	**21,547**	**38,857**	**616**	**61,020**
Additions through internal development	**1,119**	**—**	**—**	**1,119**
At 31 December 2018	**22,666**	**38,857**	**616**	**62,139**
Accumulated amortisation				
At 1 January 2017	12,042	20,597	201	32,840
Charge for the year	—	3,383	49	3,432
Written back on disposals	—	(154)	—	(154)
At 31 December 2017	12,042	23,826	250	36,118
At 1 January 2018	**12,042**	**23,826**	**250**	**36,118**
Charge for the year	**339**	**3,119**	**164**	**3,622**
At 31 December 2018	**12,381**	**26,945**	**414**	**39,740**
Net book value				
At 31 December 2018	**10,285**	**11,912**	**202**	**22,399**
At 31 December 2017	9,505	15,031	366	24,902

The amortisation charge for the year is included in "General and administrative expenses" in the consolidated statement of profit or loss.

13 GOODWILL

	RMB'000
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	23,644
Accumulated impairment losses	
At 1 January 2017, 31 December 2017 and 31 December 2018	17,642
Carrying amount	
At 31 December 2018	**6,002**
At 31 December 2017	6,002

Impairment tests for cash-generating units containing goodwill

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

	2018 **RMB'000**	2017 RMB'000
Hangzhou Sanji	**6,002**	6,002

The recoverable amount of Hangzhou Sanji is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and with a discount rate of 23.39% (2017: 21.87%). The major assumption is the growth rate in revenue. The growth rates are based on the past performance of Hangzhou Sanji, its expectation for market development and its development target. The discount rates used are pre-tax and reflect specific risks relating to Hangzhou Sanji.

The recoverable amounts of Hangzhou Sanji is higher than its carrying amounts based on value-in-use calculations. Accordingly, no impairment of goodwill was recognised in profit or loss for the year ended at 31 December 2018.

14 INVESTMENTS IN SUBSIDIARIES

As at 31 December 2018, the Company had direct and indirect interests in the following subsidiaries:

Name of companies	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Director (s)
Sino-foreign invested enterprise established in the PRC							
CTV Golden Bridge International Media Group Company Limited 中視金橋國際傳媒集團有限公司	Shanghai, the PRC 23-Jun-05	USD30,000,000	99.70%	99.70%	–	TV advertising agency, branding and content production services	Mr. Chen Xin Ms. Liu Jinlan Mr. Li Zongzhou Mr. Liu Xuming Mr. Wang Yingda
Foreign venture enterprise established in Hong Kong							
SinoMedia (Asia Pacific) Company Limited 中視金橋(亞太)有限公司	Hong Kong 31-May-11	HKD10,000,000	100%	100%	–	TV advertising agency, branding and content production services	Mr. Chen Xin Ms. Liu Jinlan
Foreign venture enterprise established in Singapore							
Sinomedia Global Pte. Ltd.	Singapore 07-Aug-13	SGD2,000,000	100%	100%	–	Production and distribution of advertisement	Ms. Liu Jinlan Mr. Li Zongzhou
Domestic companies established in the PRC							
CTV Golden Bridge International Media Jiangsu Company Limited 中視金橋國際傳媒江蘇有限公司	Nanjing, the PRC 30-Jan-07	RMB2,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Ms. Li Mingzhu
Beijing Golden Bridge Senmeng Media Advertising Company Limited 北京金橋森盟傳媒廣告有限公司	Beijing, the PRC 06-Nov-08	RMB28,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Mr. Li Zongzhou
Beijing Golden Bridge Yunhan Advertising Company Limited 北京金橋雲漢廣告有限公司	Beijing, the PRC 19-Oct-09	RMB10,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Mr. Li Zongzhou
Beijing Laite Laide Management Consultancy Company Limited 北京萊特萊德管理諮詢有限公司	Beijing, the PRC 19-Oct-09	RMB5,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Mr. Li Zongzhou

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of companies	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities	Director (s)
CTV Golden Bridge Advertising Company Limited 中視金橋廣告有限公司	Shanghai, the PRC 19-Jan-10	RMB50,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Mr. Li Zongzhou
Beijing Bozhiruicheng Information Consultancy Company Limited 北京博智瑞誠信息諮詢有限公司	Beijing, the PRC 23-Nov-10	RMB25,000,000	99.70%	–	100%	Investment holding	Mr. Li Zongzhou
CTV Golden Bridge Culture Development (Beijing) Company Limited 中視金橋文化發展(北京)有限公司	Beijing, the PRC 24-Nov-11	RMB30,000,000	99.70%	–	100%	Production and operation of broadcasting and television programs	Mr. Li Zongzhou
Beijing Lotour Huicheng Internet Technology Company Limited 北京樂途匯誠網絡技術有限責任公司	Beijing, the PRC 21-Dec-10	RMB30,841,400	70.80%	–	71%	Information services, media production and advertisement services	Mr. Liu Xuming Mr. Chen Xin Mr. Peng Bin
Hangzhou Sanji Media Company Limited 杭州三基傳媒有限公司	Hangzhou, the PRC 22-Jun-06	RMB50,930,000	99.70%	–	100%	Information services, media production and advertisement services	Mr. Chen Xin Ms. Liu Jinlan
Hangzhou Dalei Internet Technology Company Limited 杭州大雷網絡科技有限公司	Hangzhou, the PRC 09-May-12	RMB10,000,000	99.70%	–	100%	Information services, media production and advertisement services	Ms. Li Mingzhu
Golden Bridge Wisdom Technology (Beijing) Company Limited 金橋智慧科技(北京)有限公司	Beijing, the PRC 05-Feb-16	RMB10,000,000	99.70%	–	100%	Advertisement design and production, agency and publishing services	Mr. Li Zongzhou
Pinmu Ronghe Business Management (Shanghai) Company Limited 品木融和企業管理(上海)有限公司	Shanghai, the PRC 02-Nov-16	RMB1,000,000	99.70%	–	100%	Corporate management, consulting and property management	Mr. Yan Tiehua
Pinmu Ronghe Property Management (Beijing) Company Limited 品木融和物業管理(北京)有限公司	Beijing, the PRC 16-Dec-16	RMB200,000	99.70%	–	100%	Corporate management, consulting and property management	Mr. Yan Tiehua
Beijing Document Time International Culture Company Limited 北京紀錄時代國際文化有限公司	Beijing, the PRC 22-Feb-17	RMB1,000,000	99.70%	–	100%	Advertisement design and production, agency and publishing services	Mr. Li Zongzhou

15 OTHER FINANCIAL ASSETS

(a) Other current financial asset

	Notes	2018 RMB'000	2017 RMB'000
Financial assets measured at FVPL			
— Other derivative assets	*(i)*	**1,537**	1,537
— Equity securities not held for trading	*(ii)*	**200**	—
		1,737	1,537

(i) It represents the fair value of a convertible note which is upon initial recognition designated by the entity as financial asset at FVPL as at 31 December 2018, the fair value of the convertible note is based on the total principal of the contract.

(ii) The Group disposed 80% equity interest of CTV Golden Bridge International Film (Beijing) Company Limited in February 2018 previously held as the subsidiary of the Group. The remaining equity interest is not held for trading by the Group and is measured at FVPL under IFRS/HKFRS 9.

(b) Other non-current financial asset

	Notes	2018 RMB'000	2017 RMB'000
Financial assets measured at FVPL			
— Equity securities not held for trading	*(i)*	**–**	—
		–	—

Notes:

(i) The Group invested USD3 million (approximately RMB18,952 thousand) on Ftuan.com, a group purchase website, and obtained 2.71% of its equity interests. The Group provided 100% impairment to the investment on Ftuan.com in the year of 2011 due to the losses on Ftuan.com's financial performance. Since Ftuan.com is not expected to make a profit in the next few years, hence no impairment was reversed in 2018.

16 TRADE AND OTHER RECEIVABLES

	Note	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Non-current assets				
Other receivables		**865**	865	865
Current assets				
Trade debtors and bills receivable, net of loss allowance	*(i)*	**153,468**	142,514	147,292
Prepayments and deposits to media suppliers		**254,581**	458,275	458,275
Advances to employees		**3,535**	4,035	4,035
Other debtors and prepayments, net of loss allowance	*(ii)*	**17,161**	22,169	22,169
		429,610	627,858	632,636

Note:

(i) Upon the adoption of IFRS/HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade debtors and bills receivable (see note 1(c)(i)).

(ii) The balance is mainly consist of input value-added tax to be deducted, prepaid production cost and various deposits.

Ageing analysis

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

	2018 RMB'000	2017 RMB'000
Within 3 months	**96,050**	99,794
3 to 6 months	**18,094**	17,716
6 to 12 months	**13,296**	9,835
Over 12 months	**26,028**	19,947
	153,468	147,292

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

The Group's exposure to credit risks related to trade and other receivables are disclosed in note 23(a).

17 CASH AND CASH EQUIVALENTS

	2018 *RMB'000*	2017 *RMB'000*
Cash at banks and on hand	**715,109**	678,791

(a) Cash and cash equivalents are denominated in:

	2018 *RMB'000*	2017 *RMB'000*
RMB	**659,256**	623,845
USD	**2,847**	9,537
EUR	**241**	1
AUD	**6**	7
SGD	**4,955**	4,248
CAD	**3,510**	—
CHF	**103**	—
HKD	**44,191**	41,153
	715,109	678,791

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

	Note	**2018** *RMB'000*	2017 *RMB'000*
Profit before taxation		**118,014**	144,948
Adjustments for:			
Depreciation	*5(c)*	**23,082**	23,370
Amortisation of intangible assets	*5(c)*	**3,622**	3,432
Finance costs	*5(a)*	**—**	2,040
Finance income	*5(a)*	**(17,198)**	(8,265)
Foreign exchange loss		**681**	—
Net gain on disposal of a subsidiary		**(5)**	—
Net (gain)/loss on disposal of property, plant and equipment		**(229)**	3,679
Equity-settled share-based payment expenses	*5(b)*	**2,894**	1,718
		130,861	170,922
Changes in working capital:			
Decrease/(increase) in trade and other receivables		**194,804**	(109,055)
(Decrease)/Increase in trade and other payables		**(166,285)**	217,598
Cash generated from operations		**159,380**	279,465

18 TRADE AND OTHER PAYABLES

	Note	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Trade payables	*(i)*	**20,224**	33,214	33,214
Payroll and welfare expenses payables		**16,558**	21,423	21,423
Other tax payables	*(ii)*	**17,070**	28,438	28,438
Other payables and accrued charges		**67,159**	44,566	44,566
Dividends payable due to non-controlling interests		**645**	885	885
Financial liabilities measured at amortised cost		**121,656**	128,526	128,526
Advances from customers *(note)*		**–**	–	405,464
		121,656	128,526	533,990

Note: As a result of the adoption of IFRS/HKFRS 15, advances from customers are included in contract liabilities and disclosed in note 19 (see note 1(c)(ii)).

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

	2018 RMB'000	2017 RMB'000
Within 3 months	**11,574**	20,296
3 months to 6 months	**6,687**	2,397
6 months to 12 months	**1,280**	10,508
Over 12 months	**683**	13
	20,224	33,214

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

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 23.

19 CONTRACT LIABILITIES

	Notes	31 December 2018 RMB'000	1 January 2018[ii] RMB'000	31 December 2017[i] RMB'000
Contract liabilities				
Media services contracts				
— Billings in advance of performance	*(ii)*	**226,754**	397,018	—
Rental contracts				
— Billings in advance of performance	*(ii)*	**14,521**	8,446	—
		241,275	405,464	—

Notes:

(i) The Group has initially applied IFRS/HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

(ii) Upon the adoption of IFRS/HKFRS 15, these amounts previously included as "Advanced from customers" under "Trade and other payables" (note 18) were reclassified to contract liabilities (see note 1(c)(ii)).

Contract liabilities primarily arises from relates to the considerations received from customers before the Group satisfying performance obligations. It would be recognised as revenue upon the rendering of services. The contract liability balance as at 1 January 2018 was mainly recognized as revenue during the year.

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Pre-IPO Share Option Scheme

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

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

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

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

Grant date	Number of options	Vesting conditions	Contractual life of options
1 July 2007	–	One year's service	10 years
1 July 2007	–	Two years' service	10 years
1 July 2007	–	Three years' service	10 years
1 July 2007	–	Four years' service	10 years

(Expressed in Renminbi unless otherwise indicated)

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) Pre-IPO Share Option Scheme (continued)

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

	2018		2017	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**RMB1.56**	**–**	RMB1.56	10,320,000
Exercised during the year	**RMB1.56**	**–**	RMB1.56	–
Lapsed during the year	**RMB1.56**	**–**	RMB1.56	10,320,000
Outstanding at the end of the year		**–**	–	
Exercisable at the end of the year		**–**	–	

The Pre-IPO Share Option Scheme had lapsed by 29 June 2017.

(iii) Fair value of share options and assumptions

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

	1 July 2007
Share price	RMB2.31
Exercise price	RMB1.56
Expected volatility	34.39%
Option life	10 years
Expected dividends	0.00%
Risk-free interest rate	4.17%

The expected volatility is based on average implied volatility of comparable companies in the media industry as at 1 July 2007 used in modelling under binomial option pricing model. Expected dividends are based on management estimate. Changes in the subjective input assumptions could materially affect the fair value estimate.

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

During the year ended 31 December 2018, no equity-settled share-based payment expenses (2017: nil) in respect of the Pre-IPO Share Option Scheme were recognised in the consolidated statements of profit or loss.

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme

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

Up to 31 December 2018, the Company granted 12 tranches of share option under Post-IPO Scheme.

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

(1) Post-IPO 1st tranche

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

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

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

Grant date	Number of options	Vesting conditions	Contractual life of options
17 September 2009	–	On the date of grant	8 years
17 September 2009	–	One year's service	8 years
17 September 2009	–	Two years' service	8 years
17 September 2009	–	Three years' service	8 years

(2) Post-IPO 2nd tranche

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

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

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

Grant date	Number of options	Vesting conditions	Contractual life of options
2 July 2010	–	One year's service	8 years
2 July 2010	–	Two years' service	8 years
2 July 2010	–	Three years' service	8 years
2 July 2010	–	Four years' service	8 years

(Expressed in Renminbi unless otherwise indicated)

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

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

(3) Post-IPO 3rd tranche

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

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

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

Grant date	Number of options	Vesting conditions	Contractual life of options
22 November 2010	–	One year's service	8 years
22 November 2010	–	Two years' service	8 years
22 November 2010	–	Three years' service	8 years
22 November 2010	–	Four years' service	8 years

(4) Post-IPO 4th tranche

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

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

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

Grant date	Number of options	Vesting conditions	Contractual life of options
6 December 2010	–	One year's service	8 years
6 December 2010	–	Two years' service	8 years
6 December 2010	–	Three years' service	8 years
6 December 2010	–	Four years' service	8 years

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

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

(5) Post-IPO 5th tranche

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

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

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

Grant date	Number of options	Vesting conditions	Contractual life of options
29 August 2011	80,000	One year's service	8 years
29 August 2011	80,000	Two years' service	8 years
29 August 2011	80,000	Three years' service	8 years
29 August 2011	80,000	Four years' service	8 years

(6) Post-IPO 6th tranche

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

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

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

Grant date	Number of options	Vesting conditions	Contractual life of options
9 January 2012	200,000	One year's service	8 years
9 January 2012	200,000	Two years' service	8 years
9 January 2012	200,000	Three years' service	8 years
9 January 2012	200,000	Four years' service	8 years

(Expressed in Renminbi unless otherwise indicated)

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

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

(7) Post-IPO 7th tranche

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

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

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

Grant date	Number of options	Vesting conditions	Contractual life of options
11 September 2012	80,000	One year's service	8 years
11 September 2012	110,000	Two years' service	8 years
11 September 2012	160,000	Three years' service	8 years
11 September 2012	160,000	Four years' service	8 years

(8) Post-IPO 8th tranche

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

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

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

Grant date	Number of options	Vesting conditions	Contractual life of options
12 April 2013	65,000	One year's service	8 years
12 April 2013	65,000	Two years' service	8 years
12 April 2013	65,000	Three years' service	8 years
12 April 2013	65,000	Four years' service	8 years

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

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

(9) Post-IPO 9th tranche

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

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

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

Grant date	Number of options	Vesting conditions	Contractual life of options
19 July 2013	162,500	One year's service	8 years
19 July 2013	162,500	Two years' service	8 years
19 July 2013	162,500	Three years' service	8 years
19 July 2013	162,500	Four years' service	8 years

(10) Post-IPO 10th tranche

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

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

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

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

(Expressed in Renminbi unless otherwise indicated)

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

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

(11) Post-IPO 11th tranche

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

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

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

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

(12) Post-IPO 12th tranche

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

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

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

Grant date	Number of options	Vesting conditions	Contractual life of options
30 August 2017	4,338,000	One year's service	8 years
30 August 2017	4,338,000	Two years' service	8 years
30 August 2017	4,338,000	Three years' service	8 years
30 August 2017	4,338,000	Four years' service	8 years

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

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

	Post-IPO Option 1st tranche		Post-IPO Option 2nd tranche		Post-IPO Option 3rd tranche		Post-IPO Option 4th tranche		Post-IPO Option 5th tranche		Post-IPO Option 6th tranche	
At 1 January 2017	HKD1.49	660,000	HKD1.84	6,123,000	HKD2.82	–	HKD2.88	650,000	HKD2.62	320,000	HKD2.36	800,000
Granted		–		–		–		–		–		–
Exercised		–		–		–		–		–		–
Lapsed	HKD1.49	660,000	HKD1.84	500		–		–		–		
At 31 December 2017	–	–	HKD1.84	6,122,500	HKD2.82	–	HKD2.88	650,000	HKD2.62	320,000	HKD2.36	800,000
At 1 January 2018	**–**	**–**	**HKD1.84**	**6,122,500**	**HKD2.82**	**–**	**HKD2.88**	**650,000**	**HKD2.62**	**320,000**	**HKD2.36**	**800,000**
Granted		**–**		**–**		**–**		**–**		**–**		**–**
Exercised		**–**		**–**		**–**		**–**		**–**		**–**
Lapsed	**–**	**–**	**HKD1.84**	**6,122,500**	**–**	**–**	**HKD2.88**	**650,000**		**–**		**–**
At 31 December 2018	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**HKD2.62**	**320,000**	**HKD2.36**	**800,000**
Currently exercisable	**–**	**–**	**–**	**–**	**–**	**–**						
As at 31 December 2018		**–**		**–**		**–**		**–**	**HKD2.62**	**320,000**	**HKD2.36**	**800,000**

	Post-IPO Option 7th tranche		Post-IPO Option 8th tranche		Post-IPO Option 9th tranche		Post-IPO Option 10th tranche		Post-IPO Option 11th tranche		Post-IPO Option 12th tranche		Total
At 1 January 2017	HKD3.22	560,000	HKD4.31	300,000	HKD6.86	1,020,000	HKD5.50	920,000	HKD2.59	2,400,000		–	13,753,000
Granted		–		–		–		–		–	HKD1.77	18,752,000	18,752,000
Exercised		–		–		–		–		–		–	–
Lapsed	HKD3.22	50,000	HKD4.31	40,000	HKD6.86	330,000	HKD5.50	120,000	HKD2.59	1,760,000	HKD1.77	600,000	3,720,500
At 31 December 2017	HKD3.22	510,000	HKD4.31	260,000	HKD6.86	690,000	HKD5.50	800,000	HKD2.59	640,000	HKD1.77	18,152,000	28,944,500
At 1 January 2018	**HKD3.22**	**510,000**	**HKD4.31**	**260,000**	**HKD6.86**	**690,000**	**HKD5.50**	**800,000**	**HKD2.59**	**640,000**	**HKD1.77**	**18,152,000**	**28,944,500**
Granted		**–**		**–**		**–**		**–**		**–**		**–**	**–**
Exercised		**–**		**–**		**–**		**–**		**–**		**–**	**–**
Lapsed		**–**		**–**	**HKD6.86**	**40,000**		**–**		**–**	**HKD1.77**	**800,000**	**7,612,500**
At 31 December 2018	**HKD3.22**	**510,000**	**HKD4.31**	**260,000**	**HKD6.86**	**650,000**	**HKD5.50**	**800,000**	**HKD2.59**	**640,000**	**HKD1.77**	**17,352,000**	**21,332,000**
Currently exercisable As at 31 December 2018	**HKD3.22**	**510,000**	**HKD4.31**	**260,000**	**HKD6.86**	**650,000**	**HKD5.50**	**800,000**	**HKD2.59**	**480,000**	**HKD1.77**	**4,338,000**	**8,158,000**

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

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

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

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

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

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

The options of Post-IPO 5th tranche outstanding as at 31 December 2018 had an exercise price of HKD2.62 per share and a weighted average remaining contractual life of 0.66 years.

The options of Post-IPO 6th tranche outstanding as at 31 December 2018 had an exercise price of HKD2.36 per share and a weighted average remaining contractual life of 1.02 years.

The options of Post-IPO 7th tranche outstanding as at 31 December 2018 had an exercise price of HKD3.22 per share and a weighted average remaining contractual life of 1.69 years.

The options of Post-IPO 8th tranche outstanding as at 31 December 2018 had an exercise price of HKD4.31 per share and a weighted average remaining contractual life of 2.28 years.

The options of Post-IPO 9th tranche outstanding as at 31 December 2018 had an exercise price of HKD6.86 per share and a weighted average remaining contractual life of 2.55 years.

The options of Post-IPO 10th tranche outstanding as at 31 December 2018 had an exercise price of HKD5.50 per share and a weighted average remaining contractual life of 3.69 years.

The options of Post-IPO 11th tranche outstanding as at 31 December 2018 had an exercise price of HKD2.59 per share and a weighted average remaining contractual life of 4.70 years.

The options of Post-IPO 12th tranche outstanding as at 31 December 2018 had an exercise price of HKD1.77 per share and a weighted average remaining contractual life of 6.67 years.

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

(iii) Fair value of share options and assumptions

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

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

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

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

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	2018 *RMB'000*	2017 *RMB'000*
PRC income tax			
Balance at the beginning of the year		**74,037**	28,131
Provision for the year	6(a)	**33,905**	57,469
Under-provision in respect of prior years		**3,180**	(2,781)
Tax paid		**(73,614)**	(8,782)
Balance of tax provision at the end of the year		**37,508**	74,037

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from

	Accrued expenses/ revenue ***RMB'000***	**Tax loss carry-forwards** ***RMB'000***	**Total** ***RMB'000***
At 1 January 2017	26	—	26
Charged to profit or loss	(26)	—	(26)
At 31 December 2017	—	—	—
At 1 January 2018	**—**	**—**	**—**
Charged to profit or loss	**—**	**—**	**—**
At 31 December 2018	**—**	**—**	**—**

(c) Deferred tax assets not recognised:

In accordance with the accounting policies set out in note 1(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB205,167 thousand (2017: RMB199,092 thousand) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities. The tax losses do not expire under current tax legislation.

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

(d) Deferred tax liabilities not recognised:

As at 31 December 2018, temporary differences relating to the undistributed retained earnings of PRC subsidiaries amounted to RMB1,167,499 thousand (2017:RMB1,076,240 thousand). Deferred tax liability of RMB116,750 thousand (2017:RMB107,301 thousand) have not been recognised in respect of the tax that would be payable on the distribution of these retained earnings as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that those retained earnings are not likely to be distributed in the foreseeable future.

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the Consolidated Statement of Changes in Equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital *RMB'000* *(note 22(c))*	**Capital reserve** *RMB'000* *(note 22(d))*	**Translation reserve** *RMB'000* *(note 22(d))*	**Retained Profits** *RMB'000* *(note 22(d))*	**Total** *RMB'000*
Balance at 1 January 2017	510,981	23,955	6,864	(33,823)	507,977
Changes in equity for 2017					
Total comprehensive income for the year	–	–	(35,983)	104,697	68,714
Equity-settled share-based transactions *(note 20)*	–	1,718	–	–	1,718
Purchase of own shares	–	–	–	(31,987)	(31,987)
Balance at 31 December 2017 and 1 January 2018	**510,981**	**25,673**	**(29,119)**	**38,887**	**546,422**
Changes in equity for 2018					
Total comprehensive income for the year	**–**	**–**	**23,885**	**(17,084)**	**6,801**
Equity-settled share-based transactions *(note 20)*	**–**	**2,894**	**–**	**–**	**2,894**
Purchase of own shares	**–**	**–**	**–**	**(29,088)**	**(29,088)**
Dividends to equity shareholders of Company	**–**	**–**	**–**	**(38,078)**	**(38,078)**
Balance at 31 December 2018	**510,981**	**28,567**	**(5,234)**	**(45,363)**	**488,951**

Note: The Group, including the Company, has initially applied IFRS/HKFRS 15 and IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2018 RMB'000	2017 RMB'000
Final dividend proposed after the end of the reporting period of HKD7.71 cents (approximately RMB6.60 cents) (2017: HKD8.86 cents, approximately RMB7.17 cents) per ordinary share	**32,776**	36,831

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

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

	2018 RMB'000	2017 RMB'000
Dividends approved and paid to equity shareholders of the Company during the year	**38,078**	—

(c) Share capital

(i) Issued share capital

	2018		2017	
	No. of ordinary shares	**HKD**	No. of ordinary shares	HKD
Ordinary shares, issued and fully paid:				
At 1 January	**516,426,370**	**581,930,830**	535,332,370	581,930,830
Shares repurchased and cancelled	**19,813,000**	**—**	18,906,000	—
At 31 December	**496,613,370**	**581,930,830**	516,426,370	581,930,830
RMB equivalent		**510,981,107**		510,981,107

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

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

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(ii) Purchase of own shares

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

Month/year	Number of Shares repurchased	Highest price paid per share *HKD*	Lowest price paid per share *HKD*	Aggregate price paid *HKD'000*	Equivalent to *RMB'000*
January 2018	530,000	1.83	1.81	972	787
April 2018	2,105,000	2.10	1.97	4,389	3,546
May 2018	2,190,000	2.10	2.07	4,609	3,768
June 2018	2,368,000	2.10	1.97	4,893	4,126
July 2018	1,527,000	2.00	1.92	3,026	2,628
August 2018	329,000	1.88	1.84	614	534
September 2018	2,069,000	1.95	1.85	3,921	3,451
October 2018	3,822,000	1.84	1.72	6,854	6,084
November 2018	2,002,000	1.76	1.73	3,518	3,120
December 2018	661,000	1.80	1.76	1,190	1,044
				33,986	29,088

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HKD33,986 thousand (equivalent to approximately RMB29,088 thousand) was paid wholly out of retained profits.

(iii) Shares issued under share option scheme

Each option entitles the holder to subscribe for one ordinary share of the Company. In the year of 2018, no options were exercised to subscribe for ordinary shares of the Company. Further details of these options are set out in note 20 to the financial statements.

At 31 December 2018, there were 21,332,000 unexercised post-IPO share options (2017: 28,944,500).

(d) Nature and purpose of reserves

(i) Capital reserve

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

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(ii) Statutory reserve

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

(iii) Translation reserve

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

(iv) Other reserves

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

(e) Capital management

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

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

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 0% (2017: 4.52%) and 8.86% (2017: 5.76%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's exposure to credit risk arising from some customers has expanded, trade receivables of RMB81,597 thousand was fully impaired, of which RMB1,492 thousand was impaired in 2018.

Apart from above situations, the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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

(a) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and bills receivable as at 31 December 2018:

	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Current (not past due)	0.38%	87,684	(333)
0–3 months past due	1.31%	18,182	(238)
3–9 months past due	2.75%	13,519	(372)
9–21 months past due	8.70%	22,689	(1,975)
21–33 months past due	47.52%	10,313	(4,901)
More than 33 months past due	100%	1,185	(1,185)
		153,572	(9,004)
Expanding exposure to credit risk	100%	81,597	(81,597)
Bills receivable	0%	8,900	–
		244,069	(90,601)

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

Comparative information under IAS/HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(l)(i)-policy applicable prior to 1 January 2018). At 31 December 2017, trade debtors and bills receivable of RMB80,105 thousand were determined to be impaired. The aging analysis of trade debtors and bills receivable that were not considered to be impaired was as follows:

	2017 *RMB'000*
Neither past due nor impaired	99,794
Less than 6 months past due	19,517
More than 6 months but less than 12 months past due	18,142
More than 12 months past due	9,839
	147,292

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

(a) Credit risk (continued)

Trade receivables (continued)

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

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

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

	2018 ***RMB'000***	2017 *RMB'000*
Balance at 31 December 2017 under IAS/HKAS 39	**80,105**	
Impact on initial application of IFRS/HKFRS 9 *(note 1(c)(i))*	**4,778**	
Balance at 1 January	**84,883**	72,622
Impairment losses recognised during the year	**5,718**	7,483
Balance at 31 December	**90,601**	80,105

The following significant changes in the gross carrying amounts of trade and bills receivables contributed to the increase in the loss allowance during 2018:

— increase in amounts past due resulted in an increase in loss allowance of RMB4,226 thousand; and

— trade debtors and bills receivable of RMB1,492 thousand were individually determined to be impaired, as these receivables related to customers that were in financial difficulties.

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

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	**1 year but less than 2 years** *RMB'000*	**2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount** *RMB'000*
Trade and other payables	**121,656**	**–**	**–**	**–**	**121,656**	**121,656**

	2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	1 year but less than 2 years *RMB'000*	2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Trade and other payables	128,526	–	–	–	128,526	128,526

(c) Currency risk

The Group is exposed to currency risk primarily through trade and other receivables, trade and other payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars, United States dollars, and Singapore dollars.

(i) Hedges of foreign currency risk in forecast transactions

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

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

(c) Currency risk (continued)

(ii) Recognised assets and liabilities

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

(iii) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year-end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2018 *RMB'000*	2017 *RMB'000*
Trade and other receivables		
— in HKD	**1,162**	952
— in SGD	**118**	179
Cash and cash equivalents		
— in USD	**2,847**	9,537
— in EUR	**241**	1
— in AUD	**6**	7
— in SGD	**4,955**	4,248
— in HKD	**44,191**	41,153
— in CAD	**3,510**	–
— in CHF	**103**	–
Trade and other payables		
— in HKD	**(2,181)**	(1,046)
— in SGD	**(48)**	(59)
Gross exposure	**54,904**	54,972

(Expressed in Renminbi unless otherwise indicated)

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

(c) Currency risk (continued)

(iii) Exposure to currency risk (continued)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2018	2017	**2018**	2017
HKD	**0.8561**	0.8652	**0.8762**	0.8359
USD	**6.6987**	6.7356	**6.8632**	6.5342
AUD	**4.9589**	5.0543	**4.8250**	5.0928
EUR	**7.8248**	7.5546	**7.8473**	7.8023
SGD	**4.9446**	4.8413	**5.0062**	4.8831
CAD	**5.1195**	5.2266	**5.0381**	5.2009
CHF	**6.8137**	6.7423	**6.9494**	6.6779

(iv) Sensitivity analysis

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

	2018		2017	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained earnings**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
USD	**10%**	**285**	10%	954
	-10%	**(285)**	-10%	(954)
AUD	**10%**	**1**	10%	1
	-10%	**(1)**	-10%	(1)
EUR	**10%**	**24**	10%	0.1
	-10%	**(24)**	-10%	(0.1)
HKD	**10%**	**4,317**	10%	4,106
	-10%	**(4,317)**	-10%	(4,106)
SGD	**10%**	**503**	10%	437
	-10%	**(503)**	-10%	(437)
CAD	**10%**	**351**	10%	—
	-10%	**(351)**	-10%	—
CHF	**10%**	**10**	10%	—
	-10%	**(10)**	-10%	—

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

(c) Currency risk (continued)

(iv) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of reporting period, including inter-Group payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2017.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

(d) Fair value measurement (continued)

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

Fair value hierarchy (continued)

The Group

	Fair value at 31 December 2018 RMB'000	Fair value measurement as at 31 December 2018 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Asset				
Other derivative assets	**1,537**	**–**	**–**	**1,537**
Equity securities not held for trading	**200**	**–**	**–**	**200**

	Fair value at 31December 2017 RMB'000	Fair value measurement as at 31 December 2017 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Asset				
Other current financial asset	1,537	–	–	1,537

During the year ended 2018 and 2017, there were no transfer between instruments in Level 1 and Level 2, or transfer into or out of Level 3.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2018 and 2017.

24 COMMITMENTS

(a) Capital commitment

As at 31 December 2018, the Group did not have any significant capital commitment.

(b) Operating commitments

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 *RMB'000*	2017 *RMB'000*
Within one year	**5,541**	3,946
After one year but within five years	**361**	2,076
Total	**5,902**	6,022

As at the reporting date, non-cancellable contracts for purchasing advertisement resources payable by the Group are as follows:

	2018 *RMB'000*	2017 *RMB'000*
Within one year	**1,315,905**	989,524

25 CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent assets and liabilities.

26 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

		2018 *RMB'000*	2017 *RMB'000*
Rental of office	*Note*	**722**	722

Note: CTV Golden Bridge International Media Group Company Limited, a subsidiary of the Group, rented an office from Shanghai CTV Golden Bridge International Culture and Communication Company Limited, which was effectively controlled by the ultimate controlling shareholder of the Group for the period from 1 January 2018 to 31 December 2018 at a price of RMB722 thousand per annum. The amount of rent charged under the lease was determined with reference to amounts charged by Shanghai CTV Golden Bridge International Culture and Communication Company Limited to third parties.

26 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balance with related parties

	2018 *RMB'000*	2017 *RMB'000*
Rental of office	**722**	722

The balance represents non-cancellable rentals payable by the Group to Shanghai CTV Golden Bridge International Culture and Communication Group Limited for the rentals of 2018.

(c) Key management personnel remuneration

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

	2018 *RMB'000*	2017 *RMB'000*
Short-term employee benefits	**9,250**	11,329
Equity-settled share-based transactions	**940**	362
	10,190	11,691

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

27 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2018 *RMB'000*	2017 *RMB'000*
Non-current assets		
Investments in subsidiaries	**267,056**	252,077
	267,056	252,077
Current assets		
Trade and other receivables	**188,217**	259,443
Other financial asset	**1,537**	1,537
Cash and cash equivalents	**44,129**	40,274
	233,883	301,254
Current liabilities		
Trade and other payables	**11,988**	6,909
	11,988	6,909
Net current assets	**221,895**	294,345
Total assets less current liabilities	**488,951**	546,422
NET ASSETS	**488,951**	546,422
CAPITAL AND RESERVES		
Share capital	**510,981**	510,981
Reserves	**(22,030)**	35,441
TOTAL EQUITY	**488,951**	546,422

Approved and authorised for issue by the board of directors on 27 March 2019.

Chen Xin
Chairman

Li Zongzhou
Director

(Expressed in Renminbi unless otherwise indicated)

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 22(b)(i).

29 COMPARATIVE FIGURES

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

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2018, the directors consider the immediate parent and the ultimate holding Company of the Group to be Golden Bridge International Culture Limited and CLH Holding Limited respectively, both of which are incorporated in Cayman Islands. These two entities do not produce financial statements available for public use.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the IASB/HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS/HKFRS 16, Leases	1 January 2019
HK (IFRIC) 23, Uncertainty over income tax treatments	1 January 2019
Annual Improvements to IFRS/HKFRSs 2015–2017 Cycle	1 January 2019
Amendments to IAS/HKAS 28, Long-term interest in associates and joint ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of IFRS/HKFRS 16 which may have some impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS/HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial statements for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in the financial report.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

IFRS/HKFRS 16, Leases

As disclosed in note 1(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS/HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS/HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS/HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

IFRS/HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS/HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in IFRS/HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS/HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 24(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB2,465 thousand and RMB3,075 thousand for properties and other assets respectively, among which only RMB361 thousand is payable either between 1 and 5 years after the reporting date. Upon the initial adoption of IFRS/HKFRS 16, no adjustment will be made to the opening balances of lease liabilities and the corresponding right-of-use assets as the amount payable either between 1 and 5 years after reporting date is immaterial, after taking account the effects of discounting, as at 1 January 2019.

The group expects that the transition adjustments to be made upon the initial adoption of IFRS/HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the group's financial statement from 2019 onwards.

Five Year Financial Summary

(Expressed in Renminbi)

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Results					
Revenue	**1,615,704**	1,472,698	1,299,289	1,256,871	1,634,652
Profit/(Loss) from operations	**101,397**	138,441	(31,051)	172,259	424,126
Net finance income	**16,617**	6,507	5,168	18,827	7,291
Share of loss of associates	**—**	—	—	(325)	(840)
Profit/(Loss) before taxation	**118,014**	144,948	(25,883)	190,761	430,577
Income tax	**(37,085)**	(54,662)	(12,020)	(74,825)	(124,691)
Profit/(Loss) for the year	**80,929**	90,286	(37,903)	115,936	305,886
Attributable to:					
Equity shareholders of the Company	**82,127**	93,042	(27,066)	121,673	306,571
Non-controlling interests	**(1,198)**	(2,756)	(10,837)	(5,737)	(685)
Profit/(Loss) for the year	**80,929**	90,286	(37,903)	115,936	305,886
Assets and liabilities					
Property, plant and equipment	**229,738**	239,256	246,797	261,278	272,555
Investment property	**576,684**	589,110	603,906	615,151	629,949
Intangible assets	**22,399**	24,902	27,885	39,702	39,955
Goodwill	**6,002**	6,002	6,002	13,455	18,015
Interest in associates	**—**	—	—	6,525	6,850
Deferred tax assets	**—**	—	—	2,197	6,186
Trade and other receivables	**865**	865	2,085	1,917	2,550
Net current assets	**753,666**	715,303	633,031	683,917	703,260
Total assets less current liabilities	**1,589,354**	1,575,438	1,519,706	1,624,142	1,679,320
NET ASSETS	**1,589,354**	1,575,438	1,519,706	1,624,142	1,679,320
Capital and reserves					
Share capital	**510,981**	510,981	510,981	510,981	500,734
Reserves	**1,085,380**	1,068,777	1,009,974	1,103,573	1,168,674
Total equity attributable to equity shareholders of the Company	**1,596,361**	1,579,758	1,520,955	1,614,554	1,669,408
Non-controlling interests	**(7,007)**	(4,320)	(1,249)	9,588	9,912
TOTAL EQUITY	**1,589,354**	1,575,438	1,519,706	1,624,142	1,679,320
Earnings/(Losses) per share					
Basic earnings/(losses) per share (RMB)	**0.162**	0.177	(0.050)	0.220	0.542
Diluted earnings/(losses) per share (RMB)	**0.162**	0.177	(0.050)	0.217	0.528

SinoMedia®

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

(incorporated in Hong Kong with limited liability)

（於香港註冊成立之有限公司）