2015 ANNUAL REPORT

銀仕來

SILVERMAN HOLDINGS LIMITED(Incorporated in the Cayman Islands with limited liability)(Stock Code:1616)

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CONTENTS

CORPORATE INFORMATION

Executive Directors

Mr. LIU Dong *(Chairman)*
Mr. LIU Zongjun
Ms. CHEN Chen

Independent non-executive Directors

Mr. PAN Hongye
Mr. LAM Kai Yeung
Mr. GAO Gordon Xia

Company secretary

Ms. CHAN Yin Wah, *FCS*, *FCIS*, *FCCA*

Authorised representatives

Mr. LIU Dong
Ms. CHAN Yin Wah

Audit committee

Mr. LAM Kai Yeung *(Chairman)*
Mr. PAN Hongye
Mr. GAO Gordon Xia

Remuneration committee

Mr. PAN Hongye *(Chairman)*
Mr. LIU Dong
Mr. GAO Gordon Xia

Nomination committee

Mr. GAO Gordon Xia *(Chairman)*
Mr. PAN Hongye
Mr. LIU Dong

Registered office

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

Head office, headquarters and principal place of business in the PRC

Yinlong Village,
Economic Development Zone,
Boshan District, Zibo City,
Shandong Province,
The PRC

Middle Section, West Guojing Road,
Boshan District,Zibo City,
Shandong Province,
The PRC

Principal place of business in Hong Kong

18th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

Legal adviser to the Company (Hong Kong Law)

Li & Partners
22nd Floor, World-Wide House,
Central,
Hong Kong

CORPORATE INFORMATION (CONTINUED)

Auditor

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

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

Cayman Islands share registrar and transfer office

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

Principal banker

Bank of China Limited
Zibo Boshan Branch
63, Center Road,
Boshan District,
Zibo City,
Shandong Province,
The PRC

Stock code

1616

Company's website address

http://www.ysltex.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to present on behalf of the board of directors (the "**Board**" or "**Board of Directors**") of Silverman Holdings Limited ("**Silverman**" or the "**Company**") the audited consolidated results of the Company together with its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015 (the "**Year**" or "**Period under Review**").

The year of 2015 was full of changes, challenges and opportunities for the Group.

In 2015, China recorded a year-on-year GDP growth of 6.9%, the first time China's GDP growth falls below 7% since 1991. Impacted by a series of negative factors, including the generally sluggish economic growth of China and the whole world, anaemic external and internal demands, emergence of textile industries of Southeast Asian countries as well as the rising labour and material costs, the textile industry in general has seen an increasing level of competition and constantly diminishing profit margin. In the face of the continuously challenging environment of the textile industry, although the Group has built on its unique strength to further explore and utilize its differentiated positioning and innovative strengths and made strenuous efforts to implement cost control measures such as technical innovation, energy saving and emission reduction, reduction of manpower and improvement in efficiency, the weak performance of textile industry has not shown any fundamental improvement and will remain the same in the future years. Under such influence, the income of the Group has gradually declined and the chance of achieving rapid growth in the next few years is slim. In consideration of the future long-term growth of the Group and return for shareholders, while continuously improving and enhancing the operation capability of the Group's textile business, the Group has decided to seek new business growth point rather than only sticking to the depressed textile industry.

Through repeated efforts, the Group has successfully acquired Solid Will Limited and its subsidiaries Beijing Huasheng Taitong Media Investment Company Limited ("**Huasheng Media**"), a well-established television series production company in the PRC, bringing in experts from the television, film, entertainment and investment sectors to the Group. As a well-established television series production company in the PRC, Huasheng Media has years of experience in producing outstanding television drama series and a strong team of professionals. A number of productions of Huasheng Media have won wide recognition and generated significant market revenue and Mr. MENG Fanyao, its key producer, is the only person who clinched the award of "National Top Ten Producers in Television Field" for three consecutive years. This acquisition represents a major key step of the Group's strategic adjustment and a golden opportunity for the Group to enter the media industry which will deliver diversified income and new growth momentum to the Group.

Comparing with the lackluster performance of the textile industry, the film, television and media industry has developed rapidly in recent years and gradually developed into a national pillar industry; its unique cultural consumption nature has rendered it resistant to economic cycle and in turn bestowed it with the capability to maintain rapid growth. Under the decelerating international and domestic economic growth, the anti-economic cycle feature of the film, television and media industry is particularly significant. According to the statistical figures released by the State Administration of Press, Publication, Radio, Film and Television of The People's Republic of China, the national total box office in 2015 was RMB44.069 billion, representing a year-on-year increase of 48.7%. In 2015, production of domestic television series reached 16,560 episodes, representing an increase of 569 episodes from 2014. The film, television and media industry has shown a robust trend of development.

With the acquisition of Huasheng Media, the industry of the Group is no longer limited to traditional textile business but has developed into a stage of two major business segments, namely traditional textile industry and film and television industry; the new acquisition also provides ample room for the future business development of the Group.

During the period under review, the Group's main business revenue was approximately RMB654.0 million, representing a decrease of approximately 13.9% as compared with approximately RMB759.8 million in the previous year. The decrease of the revenue was mainly due to the decline of the textile product selling price. Profit attributable to equity shareholders of the Company was approximately RMB7.3 million, representing a decrease of approximately 3.9% as compared with approximately RMB7.6 million in the previous year. The decrease in profit was mainly due to the drop in the average selling price of the textile products of the Group caused by the decline in the international and domestic economy, and the increase of administrative expenses and income tax.

During the period under review, the television and film business contributed income of RMB7.5 million and profit of RMB1.3 million to the Group. If the acquisition has occurred on 1 January 2015, the income and profit of the Group will be RMB692.2 million and RMB13.7 million respectively.

The Board strongly believes that under the guidance of the management, the textile business segment can achieve sustainable development through continuous optimization of asset structure and efficiency as well as enhancement of operation capability and competitiveness. With respect to the media business, by leveraging on the seasoned professional experience of the relevant staff of Huasheng Media in the field of production and distribution of films and television drama series, the competitive strengths in innovation, investment, production and distribution of film and television contents will be continuously enhanced and a new area of development will be unlocked which will ultimately become a brand-new driver of the Group's future growth.

The management of the Company and I will, apart from further strengthening and improving the core competence of textile business, pay close attention to global economy and changes in textile, film and television industry environment, continue to strengthen the operating ability in television business side by side, and promote the profitability and sustainable development of the Company in order to maximize the interests of shareholders. On behalf of the Board, I hereby also would like to express my sincere thanks to all the shareholders, customers and staff for their continuous support and contributions to our Group.

By order of the Board
Silverman Holdings Limited
LIU Dong
Chairman

Shandong, the PRC
29 March 2016

FINANCIAL SUMMARY

in RMB'000	For the year ended 31 December **2015**	2014	2013	2012	2011
RESULTS					
Turnover	**654,037**	759,800	774,577	871,395	927,774
Profit before taxation	**10,039**	8,602	32,122	91,144	187,886
Income tax	**2,702**	968	10,551	17,110	25,760
Profit for the year	**7,337**	7,634	21,571	74,034	162,126

in RMB'000	As at 31 December **2015**	2014	2013	2012	2011
ASSETS AND LIABILITIES					
Total assets	**1,476,040**	1,024,44	1,028,05	1,039,92	959,76
Total liabilities	**590,500**	423,012	426,650	455,091	701,666
Net assets	**885,540**	601,434	601,400	584,829	258,103

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS OVERVIEW

In recent years, affected by the weak domestic demand and the slowdown in exports, the high costs in energy and labor and other factors, as well as the impacts from the textile industry of Vietnam and India with cost advantages, the production and operation of China's textile enterprises are under great pressure, and the industry has been operating in the doldrums. In 2015, the situation is particularly severe.

In 2015, China's GDP was RMB67,670.8 billion with year-on-year growth of approximately 6.9%, and this is the first time that China's GDP growth falls below 7% since 1991. In the aspects of import and export, the amount of textile and apparel exports was USD283.8 billion, representing a decrease of approximately 4.9% as compared to that of the previous year. Among them, the amount of textile yarns, fabrics and products exports was USD109.5 billion, representing a year-on-year decrease of approximately 2.3% as compared to that of the previous year; the amount of imports was USD19.1 billion, representing a year-on-year decrease of approximately 6.4% as compared to that of the previous year. The decrease in the amount of textile exports for the first time for many years, and the decrease in the amount of textile imports at the same time, also fully shows the operating rate of China's textile industry has been seriously inadequate being beset with troubles internally and externally.

The downturn trend of the textile industry in 2015 further highlights the importance and necessity for the Group to implement the diversification strategic adjustment. The Group has focused on the production and operation of textile industry. Although the Group is in a leading position not only in strategic positioning, innovation system and innovation ability, but also in management quality, cost control and market share and influence in the market segment, the profit margin levels of the Group continue to decrease due to the overall environment. It is expected that the possibility for the Group to have a rapid growth in a few years is low. In response to these challenges, the Group will extensively explore new business opportunities as well as continue to improve and enhance the ability in textile business at the same time, in order to achieve the Group's target of sustainable growth and generate better return to shareholders of the Company.

The management noticed that, comparing with the downturn of the textile industry, as a pillar industry of the state, the media and culture industry has its special cultural and entertainment consumption feature, enabling it to resist economic cycle and maintain sustainable rapid growth. According to the statistical figures released by the State Administration of Press, Publication, Radio, Film and Television of The People's Republic of China, the national total box office earnings in 2015 was RMB44.1 billion, representing a year-on-year increase of 48.7%. In 2015, production of domestic television series reached 16,560 episodes, representing an increase of 569 episodes from 2014. Development of the film, television and media industry was gratifying.

Therefore, based on detailed research, analysis and evaluation on media industry and the acquisition targets, in 2015, the Group resolutely implemented the strategic layout in the media industry, and completed the acquisition of Solid Will Limited and its subsidiaries which are principally engaged in production and distribution of television drama series. Huasheng media owns a production scale of over one hundred episodes per annum. Huasheng Media obtained copyright income through selling television series broadcast rights to various television stations, audio and video products distribution rights of television series to audio and video products distribution enterprises, information network publication rights of television series to Internet video service enterprises and copyrights of television series to middlemen such as television series distribution enterprises which are engaged in professional television series distribution business. This acquisition is a very important step in the strategic adjustment of the Group. Therefore, the Group has gained full operational capacity from investment and production in early stages to promotion and distribution in later stages through Huasheng Media in the investment, production and distribution of premium television series as well as television series related businesses. It will bring a good opportunity for the Group to set foot in the media industry, and make the Group's revenue more diversified, and thus conforms to the overall interests of the Company and its shareholders.

Of course, the strategic adjustment of the Group does not affect its ability to enhance and improve the existing textile business. In 2015, facing continuous and severe industry situation, the Group insisted on taking the initiative, based on our own characteristics, to further dig and make full use of the advantages of differential positioning and innovation as well as energetically implement cost control activities including technical transformation, energy-saving, cost-reducing, downsizing staff and improving efficiency etc. to ensure the normal production and operation of the Group, and the Group achieved the annual operating rate of 100%, the order rate of 97%, the production and sales rate of 98.7%, and the rate of return over 105%.

During the Period under Review, the Group's main business revenue was approximately RMB654.0 million, representing a decrease of approximately 13.9% as compared with approximately RMB759.8 million in the previous year. Among them, Huasheng Media contributed to the income of the Company for about RMB7.5 million after the acquisition date of 24 December 2015. The decrease of the revenue was mainly due to the decline of the textile product selling price. Profit attributable to equity shareholders of the Company was approximately RMB7.3 million, representing a decrease of approximately 3.9% as compared with approximately RMB7.6 million in the previous year. The decrease in profit was mainly due to the drop in the average selling price of the textile products of the Group caused by the decline in the international and domestic economy, and the increase of administrative expenses and income tax.

In 2015, Huasheng Media, a subsidiary of the Group, completed the productions of 《The Great Eastern Battlefield 》(《東方戰場》), 《The Last Stronghold》 (《最後的要塞》) and 《The Adoption》 (《領養》). 《The Legend of a Hong'an General》 (《鐵血紅安》) produced by Huasheng Media was shortlisted for the 30th China TV Drama "Flying Apsaras Awards" in the PRC.

FINANCIAL REVIEW

Turnover, gross profit and gross profit margin

The table below is an analysis of the Group's turnover, gross profit and gross profit margin of its major business categories for the years ended 31 December 2015 and 2014:

	For the year ended 31 December					
	2015			*2014*		
	Turnover **RMB'000**	***Gross profit*** **RMB'000**	***Gross profit margin*** **%**	*Turnover* RMB'000	*Gross profit* RMB'000	*Gross profit margin* %
Textile business	**646,545**	**98,246**	**15.2%**	759,800	103,010	13.6%
Television business	**7,492**	**2,818**	**37.6%**	-	-	-
Total	**654,037**	**101,064**	**15.5%**	759,800	103,010	13.6%

The gross profit margin of the Group increased by approximately 1.9 percentage points, from approximately 13.6% for the year 2014 to approximately 15.5% for the year 2015. The increase of the major products gross profit margins and the overall gross profit margin were mainly due to (i) the decrease in costs resulted from the expiration of part of the equipment depreciation; (ii) the decrease in costs of raw materials and electricity expenses; and (iii) the increase in television income. In addition to the costs control, the Group developed new and special products according to the market demand, will further optimize the product mix and implement flexible and effective marketing strategy in order to maximize the Group's gross profit margin.

Other net gains

Other net gains and losses mainly included net gain on sale of scrap material, net gain on disposal of property, plant and equipment, government grants and others. The total amount of other net gains for the Period under Review increased by approximately RMB0.3 million to approximately RMB4.1 million as compared to approximately RMB3.8 million in the previous year.

Distribution costs

For the year ended 31 December 2015, total distribution costs of the Group increased by approximately RMB1.9 million to approximately RMB15.2 million as compared to that of the corresponding period in previous year. Such increase was mainly due to the increase in marketing and transportation expenses of the Group during the Period Under Review when compared to that of the corresponding period in previous year

Administrative expenses

For the year ended 31 December 2015, the administrative expenses of the Group was approximately RMB65.3 million, representing an increase of approximately 0.2% when compared to that of approximately RMB65.2 million in 2014. The increase was mainly due to the expenditures related to the acquisition of media business.

Net finance costs

During the year ended 31 December 2015, the net finance cost of the Group were approximately RMB14.5 million as compared to approximately RMB19.8 million in 2014 which was mainly due to the decrease in finance cost and the increase of finance income. For the year ended 31 December 2015, the finance cost of the Group was approximately RMB17.5 million, representing a decrease of approximately RMB4.1 million as compared to approximately RMB21.6 million in 2014. It was mainly due to the decrease in interest expenses resulted from the decrease in lending rates. The finance income was approximately RMB3.0 million, representing an increase of approximately RMB1.2 million as compared to approximately RMB1.8 million in 2014, which was mainly due to the increase in financial income of the Company in 2015.

Taxation

Taxation of the Group was increased by approximately 170% from approximately RMB1.0 million in 2014 to approximately RMB2.7 million during the Period under Review. This was mainly due to (i) the increase of taxable income; (ii) the decrease of tax preferences (preferential deduction) of the Group during the Period under Review.

Profit attributable to the equity shareholders of the Company

For the year ended 31 December 2015, the profit attributable to the equity shareholders of the Company was approximately RMB7.3 million, representing a decrease of approximately 3.9%, from approximately RMB7.6 million in 2014. The decrease was mainly due to the decrease in average selling price of the textile products resulted from the international and domestic economy downturn and the increase of distribution costs and income tax of the Group. Based on the aforementioned factors, the gross profit margin for the year ended 31 December 2015 increased to approximately 15.5%, or by 1.9 percentage points, from that of approximately 13.6% in 2014. As a consequence, the gross profit decreased by approximately 1.9%, or approximately RMB1.9 million, to approximately RMB101.1 million for the year ended 31 December 2015 from approximately RMB103.0 million in the previous year.

Liquidity and financial resources

As at 31 December 2015, cash and cash equivalents of the Group were approximately RMB113.3 million, representing a decrease of approximately 7.4% from approximately RMB122.4 million as at 31 December 2014. This was mainly due to the paying back of loans of the Company.

For the year ended 31 December 2015, the Group's net cash generated from operating activities was approximately RMB119.2 million (2014: approximately RMB89.3 million), net cash used in investing activities was approximately RMB19.1 million (2014: net cash used in investing activities was approximately RMB60.2 million) and net cash used in financing activities was approximately RMB109.7 million (2014: approximately RMB9.1 million). Cash and cash equivalents of the Group decreased by approximately RMB9.6 million (2014: increased by approximately RMB20.0 million) during the Period under Review. The Board believes that the Group will maintain a sound and stable financial position, and will maintain sufficient liquidity and financial resources for the Group's business need.

The Group's customers, who have set up long-term business relationship with us and have well settlement history and sound reputation, have been waived the requirement for deposit payment and granted a credit period typically ranging from 30 to 180 days pursuant to the payment terms of the purchase or processing orders. The length of credit period depends on various factors such as financial strength, size of the business and settlement history of those customers. For the year ended 31 December 2015, the average trade receivables (including bills receivable) turnover period of the Group was approximately 49 days, up from 40 days for the year ended 31 December 2014. The increase was mainly due to the Group's granting of a longer credit period to customers of high quality in order to increase orders and the television business's granting of a longer credit period (180 days) to customers which lead to longer turnover period of the average trade receivables.

For the year ended 31 December 2015, inventory turnover period of the Group increased to 92 days from 81 days in the previous year. This was mainly because of the increase of inventory level of finished goods resulted from the increase of purchasing and storage of the Group as well as the prolonging of delivery cycle by customers of the Company. In particular, the finished goods increased to approximately RMB49.3 million as at 31 December 2015 from approximately RMB39.5 million as at 31 December 2014.

As at 31 December 2015, the Group's borrowings (including obligations under finance lease) of approximately RMB189.5 million (2014: approximately RMB200.0 million) bore fixed interest at rates ranging from 4.35% to 5.10% (2014: 4.60% to 6.60%) per annum. As at 31 December 2015, the Group's borrowings of approximately RMB35.8 million (2014: approximately RMB107.7 million) bore floating interest at rates at 4.85% to 6.20% (2014: 6.00% to 7.10%).

Trade and bill receivables

Trade and bill receivables were approximately RMB99.4 million as at 31 December 2015 (approximately RMB79.1 million as at 31 December 2014). The increase was mainly due to the Group's granting of a longer credit period to customers of high quality in order to increase orders and the television business's granting of a longer credit period to customers.

Earnings per share

Calculating based on the weighted average of 803,455,225 shares in issue, basic earnings per share of the Company were approximately RMB0.0091 for the year ended 31 December 2015 (2014: approximately RMB0.0095).

Treasury policies

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

Capital structure

The Group continues to maintain an appropriate mix of equity and debt to ensure an efficient capital structure to reduce capital cost. For the year ended 31 December 2015, the debts of the Group were mainly promissory note bank borrowings and obligations under finance leases with a total amount of approximately RMB392.8 million (2014: approximately RMB307.7 million). As at 31 December 2015, cash and cash equivalents were approximately RMB113.3 million (2014: approximately RMB122.4 million). As at 31 December 2015, the gearing ratio was approximately 31.6% (2014: approximately 30.8%), which was calculated by dividing total debt (i.e. promissory note, interest-bearing bank borrowings and obligations under finance lease, after deducting cash and cash equivalents) by total equity.

As at 31 December 2015, the debts of the Group that will become due within a year were approximately RMB389.0 million (2014: RMB 276.4 million).

As at 31 December 2015, the Group's cash and cash equivalents were mainly held in Renminbi, Japanese Yen, US dollars, HK dollars and Euro, of which, approximately RMB99.4 million (2014: RMB110.7 million) or 87.7% (2014: 90.4%) of the cash and cash equivalents were held in Renminbi.

Furthermore, the Group had finance lease liabilities of approximately RMB20.8 million as at 31 December 2015 (31 December 2014: 41.2 million) bearing floating interest rates ranging from 5.89% to 6.20% (2014: 6.58% to 7.10%). The carrying amounts of bank borrowings were denominated in RMB. For the year ended 31 December 2015, no financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Capital commitments

Save as disclosed in notes 30, the Group did not have any other significant capital commitments as at 31 December 2015 (2014: Nil).

Employee and remuneration policy

As at 31 December 2015, the Group had a total of approximately 2,677 employees (2014: 2,941), the decrease in the number of staff as compared to that of the previous year was mainly because the Group improves efficiency by downsizing staffs according to the operating conditions.

For the year ended 31 December 2015, labour costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB119.2 million (2014: approximately RMB121.2 million). The decrease of labour costs was mainly because the Group improves efficiency by downsizing staffs according to the operating conditions and the decrease in wages of managerial personnel.

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

Exposure to foreign exchange risk

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

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

Contingent liabilities

Save as disclosed in note 31, the Group did not have any other contingent liabilities as at 31 December 2015 (2014: Nil).

Charges on assets

Save as the pledged bank deposits as presented in the consolidated statement of financial position, the Group pledged its machinery and equipment with net book value of approximately RMB13.3 million (2014: RMB119.5 million) to banks as securities for the bank borrowings as at 31 December 2015. Besides, machinery and equipment with net book value of approximately RMB40.1 million (2014: RMB69.3 million) were held under finance lease as at 31 December 2015.

Significant investments held

Save as the investments in equity securities presented in the consolidated statement of financial position as at 31 December 2015 and the short term investments presented in the interim consolidated statement of financial position as at 30 June 2015, the Group did not hold any significant investment in equity interest in any company during the year ended 31 December 2015.

Future plans for material investments and capital assets

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

Material acquisitions and disposals of subsidiaries and affiliated companies

On 3 December 2015, the Company (as purchaser) entered into the sales and purchase agreement with the AIM RIGHT VENTURES LIMITED in respect of the acquisition of the entire issued share capital of the Solid Will Limited. The consideration payable by the Company for the acquisition included: (1) the promissory note of HKD200,000,000; and (2) 157,644,656 new shares of the Company at the issue price of HKD2.2519 (the fair value of the ordinary shares issued at the date of acquisition was approximately HKD2.16).

Solid Will Limited is an investment holding company incorporated under the BVI laws, which through its wholly-owned subsidiaries and the contractual arrangements dated 6 July 2015 entered into between Beijing Huasheng Century Media Technology Company Limited, Huasheng Media and its shareholders, is principally engaged in the production and distribution of television series in the PRC.

The acquisition was completed on 24 December 2015. For more details of the acquisition, please refer to the announcement dated on 9 December 2015, 23 December 2015 and 24 December 2015.

Events after the reporting period

On 4 February 2016, the Company entered into the share placing agreement with Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan"). Pursuant to the share placing agreement, the Company has conditionally agreed to place, through Guotai Junan, on a best effort basis, up to an aggregate of 320,000,000 new placing shares to not less than six share placees at the placing price of not less than HKD2.50 per placing share. The agreement is subject to the shareholders' approval (details set out in the Company's announcement dated 4 February 2016).

OUTLOOK

In 2016, the trend of “new norms” of the PRC economy will continue. As the beginning year of the “13th Five-Year Plan”, the trend of 2016 economic cycle will remain downward. The phenomenon of “four decreases, one increase” emerged in the PRC economy, which means decrease in economic growth rate, decrease in inflation rate (especially inflation rate of industrial entities), decrease in corporate profit, decrease in tax revenue and, at the same time, increase in financial risks. Economists believe this mainly reflects deflationary downward economic trend due to insufficient demand in the PRC economy. However, the root cause is structural imbalance on the supply side instead of insufficient supply. Due to excess capacity on one side and insufficient demand on the other side in traditional industries in the PRC, supply-side reform is imperative.

Due to the economy slowdown and the continued downturn in textile industry, although China promulgated a succession of economic policies beneficial to alleviate and improve the operating pressure and the operating environment of the textile enterprises, such as the cancelling of cotton purchasing and storage policy, the resolving of inconsistent problems of input and output tax, the introducing of preferential tax rates for small medium enterprises, and the cutting of electricity prices and interest rates for deposits and loans etc., in the long run and taken as a whole, the slowdown of China’s economic growth is an inevitable trend in economy and society development. Along with this trend, China’s enterprises will also usher in a new era with the characteristics of innovation and differentiation, and with the change of development mode from focusing on quantity to focus on quality. Enterprise transformation is the general trend, but it can’t be achieved overnight, and it needs a long-term process of elimination.

Comparatively speaking, due to its anti-industrial cycle feature, industrial experts expect the culture industry will maintain robust growth trend. A series of policies are introduced to support and help to facilitate the film and television industry to enter the period of accelerated development, underlying the importance and value of film and television industry in the entire culture industry. More policies related to the film and television industry are launched, ancillary supports are provided and implementation conditions are created by competent departments such as the General Office of the State Council, Ministry of Finance and the People’s Bank of China. These are favourable for industrialized operation and growth in scale of domestic film and television industry. Domestic culture industry has already developed into the stage of conglomerate development and 2016 is expected to be the year in which domestic premium television series with superior production and plentiful genres will dominate the market. The Group will seize the good momentum of industry development, adhere to the strategic concept of “premium production” and continue to promote production and distribution of television series business. The Company has conditionally agreed to place, through Guotai Junan, on a best effort basis, up to an aggregate of 320,000,000 new shares and planned to raise funds of HKD800,000,000. After receiving the funds, the Group expects to further expand the Group’s investments in television series, exert competitive advantages to ensure steady growth of performance and consolidate the foundation of the Group’s strategical adjustment. The Group will also acquire other media-related companies when opportunities arise.

Broadcast schedule in 2016 and future production schedule of the Group's television series:

No.	Title	Theme	Planned commencement time of shooting	Note
1	The Great Eastern Battlefield (東方戰場)	Historical drama	--	To be broadcast in the first half of 2016
2	The Adoption (領養)	Urban emotional drama	--	To be broadcast in the first half of 2016
3	The Last Stronghold (最後的要塞)	Historical story drama	--	Post-production stage
4	Qiao's Grand Courtyard 2 (喬家大院 2)	Historical story drama	6 March 2016	Shooting in progress
5	March in River City (江城三月)	Modern city drama	Third quarter of 2016	Script completed
6	Wudang Yijian (武當一劍)	Kung fu drama	Third quarter of 2016	Script completed
7	Ma Beier (馬背兒)	Republic period drama	Fourth quarter of 2016	Script completed
8	The Anti-traitor Team (鋤奸團)	Spy thriller drama	2017	Script completed
9	One Vessel, One Town, One Master (一鼎一鎮一夫子)	Legend story drama	2017	Script completed
10	The Myth of Wudang (神話武當)	Mythology and fantasy drama	2017	Creating script
11	The Financial Empire (金融帝國)	Historical drama	2017/2018	Creating script
12	Qiao's Grand Courtyard 3 (喬家大院 3)	Historical story drama	2018	Creating script
13	The Army in Qikou (兵臨磧口)	War legend drama	2018	Creating script
14	Wudang (天下武當)	Republic period drama	2018	Creating script

(For details of television series to be broadcast and produced in 2016, please refer to the announcement published by the Group on 9 December 2015.)

Currently, the Group has basically completed integrations of personnel and businesses of Huasheng Media. Each of the plans under preparation and shooting works of Huasheng Media is steadily progressing. Collaborative development of media business and traditional textile business is realized and jointly constituted the Group's development foundation.

Opportunities and challenges coexist in 2016. On the one hand, affected by the macroeconomic situation and the trend of industry in recent years, although the profitability of textile business of the Group has declined, the company's strategy and positioning are consistent with the development trend and direction of China's economy. Therefore, based on our own characteristics, the Group will continue to be committed to the improvement and enhancement of operation ability in textile business, and the enhancement of innovation, to further dig and make full use of the advantages of differential positioning, the innovation of new materials and the development of new fiber fabric, and to strengthen the Group's innovation as well as to take measures of saving energy and reducing consumption, improving efficiency and reducing costs to maintain the Group's competitiveness in the textile industry. At the same time, in the aspect of film, television and media businesses, the Group will make full use of the advantages of Huasheng Media and carry on the strategical concept of "premium production" and continue to facilitate production and distribution of television series business. Meanwhile, with market as the guide, the Group will actively develop markets including movie, Internet film and television as well as embedded advertisement and its derivatives, and further ameliorate the culture industry chain. Through extensive experience and control over the contents, the Group will carry out multi-dimensional content operation so as to form a culture and media sector of industrial chain with businesses covering television series, film development, investment, production, distribution, new media and so on.

The management of the Group will fulfil their conscientious duties as well as constantly improving the Group's profitability and core competitiveness in an endeavour to promote the Group to continuous steady development.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Our Board of Directors is responsible and has general powers for the management and conduct of the business. The Board currently consists of six directors (the "**Directors**", each a "**Director**"), including three executive Directors, and three independent non-executive Directors. The following table sets forth information regarding members of the Board for the year ended 31 December 2015 and up to the date of this annual report:

Name	Appointment Date
Executive Directors	
LIU Dong (Chairman)	24 February 2010
LIU Zongjun	26 June 2012
CHEN Chen	24 September 2015
Independent non-executive Directors	
PAN Hongye	3 November 2015
LAM Kai Yeung	26 June 2012
GAO Gordon Xia	25 November 2015

DIRECTORS AND SENIOR MANAGEMENT PROFILE (CONTINUED)

Executive Directors

Mr. LIU Dong (劉東), aged 47, is the Chairman, an executive Director of our Company appointed on 24 February 2010, and one of our substantial shareholders. Mr. LIU has been with our Group since the acquisition of the equity interest of Zibo Yinshilai Textile Co., Ltd. (淄博銀仕來紡織有限公司) ("Yinshilai Textile") by Zibo Yinshan Chemical Fiber Co., Ltd. (淄博銀杉化纖有限公司) ("Yinshan Chemical Fiber") in June 2005. Mr. LIU is currently the legal representative and a director of Yinshilai Textile and was firstly appointed to such posts in September 2005. Mr. LIU was appointed as a Director of our Company on 24 February 2010. He is also a director of each subsidiary of our Group (except Zibo Huiyin Textile Co., Ltd. (淄博匯銀紡織有限公司) ("Huiyin Textile")). He is primarily responsible for overall business development, strategic planning and business development of our Group. Mr. LIU has accumulated 20 years of experience in the textile industry in the PRC, which can be traced back to 1996 when he was appointed as the general manager of Zibo Wanjie Fiber Co., Ltd. (淄博萬杰纖維有限公司). Mr. LIU had served as a deputy general manager of Zibo Wanjie Group Co., Ltd. (淄博萬杰集團有限公司), and subsequently as a director and general manager (between December 1998 and December 2001) and the chairman of the board of director (between December 2001 and November 2004) of Shandong Wanjie High-Tech Co. Ltd. (山東萬杰高科技股份有限公司) (''Wanjie High-Tech''). Mr. LIU studied in College of Textile Engineering of Shandong (山東紡織工學院) majoring in management and subsequently obtained a master of business administration degree from the Chinese Academy of Social Science in November 1998.

Mr. LIU was recognized as ''Model Worker of the Textile Industry of the PRC'' (全國紡織工業勞動模範) by the Ministry of Personnel of the PRC (中華人民共和國人事部) and China National Textile and Apparel Council (中國紡織工業協會) in 2006, ''Outstanding Entrepreneur of the Zibo Municipality for the year 2006'' (2006年度淄博市優秀企業家), ''Outstanding Entrepreneur of the Zibo Municipality for the year 2008'' (2008年度淄博市優秀企業家) and ''Outstanding Entrepreneur of the Zibo Municipality for the year 2009'' (2009年度淄博市優秀企業家) by the Zibo Municipal Committee of the Chinese Communist Party (中共淄博市委) and the People's Government of Zibo Municipality (淄博市人民政府) in 2007 and 2010, respectively, ''Star Entrepreneur of the Zibo Municipality for the year 2010'' (2010淄博市明星企業家) by the Zibo Municipal Committee of the Chinese Communist Party (中共淄博市委) and the People's Government of Zibo Municipality (淄博市人民政府) in 2011, ''Outstanding Entrepreneur of the Shandong Province'' (山東省優秀企業家) by Shandong Enterprise Confederation (山東省企業聯合會), Shandong Entrepreneur Association (山東省企業家協會), Shandong Industrial and Economics Confederation (山東省工業經濟聯合會) and Shandong Quality Association (山東省質量協會) in 2011, ''Award for Outstanding Entrepreneurs of the Textile Industry of the Shandong Province'' (山東省紡織企業家創

業獎) by the Shandong Textile Industry Office (山東省紡織工業辦公室) and the Shandong Textile Enterprise Management Association (山東紡織企業管理協會) in 2007, one of the ‘‘Twelve Batch of Outstanding Young Entrepreneurs of the Zibo Municipality’’ (第十二屆淄博市傑出青年企業家) by the Zibo Municipal Committee of the Communist Youth League (共青團淄博市委), Zibo Municipal Economy and Trade Committee (淄博市經濟貿易委員會), the Zibo Municipal Administration for Industry and Commerce (淄博市工商行政管理局), the Zibo Municipal Department of Environmental Protection (淄博市環境保護局), the Zibo Municipal Association of Entrepreneur (淄博市企業家協會) and the Zibo Municipal Association of Young Entrepreneur (淄博市青年企業家協會) in 2007, ‘‘Outstanding Persons of the Textile Brand Culture Development of the PRC for the year 2010’’ (2010中國紡織品牌文化建設傑出人物) by China National Textile and Apparel Council (中國紡織工業協會) and the Chinese Association for Textile Enterprises Culture Construction (中國紡織企業文化建設協會) in 2010, and ‘‘Boshan Star Entrepreneur for the year 2008’’ (2008年度博山區明星企業家), ‘‘Boshan Star Entrepreneur for the year 2010’’ (2010年度博山區明星企業家) and ‘‘Boshan Star Enterpreneur for the year 2011’’ (2011年度博山區明星企業家) by the Boshan District Committee of the Chinese Communist Party (中共博山區委) and the People’s Government of Boshan District (博山區人民政府) in 2009 and 2011, respectively. Mr. LIU is a representative of the Fourteenth People’s Congress of Zibo City (淄博市第十四屆人民代表大會).

Mr. LIU Zongjun (劉宗君), aged 45, is an executive Director of our Company appointed on 26 June 2012, and chief executive officer appointed on 1 April 2015. He joined our Group as assistant to the chairman of the board of directors, deputy general manager and manager of the human resources department of Yinshilai Textile since April 2010. Mr. LIU was appointed as a director of Huiyin Textile in March 2012.

Mr. LIU is experienced in administrative management and has accumulated 17 years of experience in the textile industry. Between July 1993 and June 1994, Mr. LIU worked in the Shanghai office of Weifang Economic and Trade Centre (濰坊經濟貿易中心) governed by the Shandong Weifang Municipality Economic Committee (山東濰坊市經濟委員會). Between September 1994 and October 2004, Mr. LIU worked with Wanjie Group Co., Ltd. and held a series of positions including the role of executive in foreign economy and trade department of the Shanghai office, assistant to the general manager of Zibo Wanjie Fiber Co., Ltd. (淄博萬傑纖維有限公司) and assistant to the general manager and human resources manager of Wanjie High-Tech. Between October 2004 and April 2010, Mr. LIU served as general manager of Zibo Tianhao Weaving and Dyeing Co., Ltd(淄博天浩織染有限公司).

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

Ms. CHEN Chen (陳辰), aged 36, is an executive Director appointed on 24 September 2015. Ms. CHEN has more than 9 years of experience in the field of finance and investment. Ms. CHEN held position as a senior vice president of Beijing Ying Sheng Culture Investment Limited (北京瀛晟文化投資有限公司) from February 2015 to September 2015. From April 2006 to October 2011, Ms. CHEN was a vice president of Haitong Securities Co., Ltd (Investment Banking Division, Shenzhen Branch). From November 2011 to May 2014, Ms. CHEN was the vice president in charge of investment of the Shenzhen branch company of Haitong Kaiyuan Investment Company Limited (海通開元投資有限公司). From June 2014 to November 2014, Ms. CHEN was the assistant to the president and the finance controller of the Energy Management Contracting department of NVC Lighting (China) Co., Ltd. Ms. CHEN has studied German literature in the Beijing Foreign Studies University and obtained a master degree in business administration from the University of Mainz in Germany.

Independent non-executive Directors

Mr. PAN Hongye (潘洪業), aged 70, currently serves as a professional instructor of the School of Economics and Management of Communication University of China. He has over fifty years' experience in the industry of cultural industry, and has planned/produced more than fifty television drama series. He was the general manager of Beijing Chang' an Culture and Entertainment Centre (北京市長安文化娛樂中心), the director of the Exchange Centre of Television Programs and the Film and Television Centre of Beijing Television Station (北京電視臺電視節目交流中心、影視劇中心) and the general manager of Combined Television (Hainan) Company Limited (匯視 (海南) 股份有限公司). He is now the general manager of Beijing Dong Wang Cultural Development Company Limited (北京東王文化發展有限公司).

Mr. PAN was granted the title of "Excellent Worker of the National Cultural System" by the Ministry of Culture and the Ministry of Personnel of the PRC (中華人民共和國文化部、人事部) in 1995, has been appointed as the vice-president of the Television Production Committee of China Radio and Television Association (中國廣播電視協會電視製片委員會) since 2001, was granted the 5th "National Top Ten Excellent Producers" (全國十佳製片人) in 2002, and was invited to be a judge in the first Rainbow Asia awards (香港亞洲彩虹獎) in 2010.

Mr. LAM Kai Yeung (林繼陽), aged 46, is a fellow of the Association of Chartered Certified Accountants (英國特許公認會計師公會) and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. LAM obtained a bachelor degree of accounting from Xiamen University (廈門大學) in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010.

Mr. LAM was the company secretary and qualified accountant of Hunan Nonferrous Metals Corporation Limited (湖南有色金屬股份有限公司) (a company which was listed on the Main Board of the Stock Exchange with its then stock code of 2626 and had delisted from the Stock Exchange in March 2015) from July 2006 to August 2013. Mr. LAM was an independent non-executive director of Northeast Tiger Pharmaceutical Company Limited (東北虎藥業股份有限公司) (a company listed on the GEM of the Stock Exchange, stock code: 8197) from August 2008 to June 2015 and a non-executive director of Ping Shan Tea Group Limited (坪山茶業集團有限公司) (a company listed on the Main Board of the Stock Exchange, stock code: 364) from December 2014 to May 2015. Mr. LAM has been an independent non-executive director of Silverman Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1616) since June 2012; an independent nonexecutive director of Highlight China Lot International Limited (高銳中國物聯網國際有限公司) (formerly known as Ford Glory Group Holdings Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 1682) since August 2014; an independent non-executive director of Sunway International Holdings Limited (新威國際控股有限公司) (a company listed on the Main Board of the StockExchange, stock code: 58) since May 2015; an independent non-executive director of Finsoft Financial Investment Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8018) since June 2015; an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (港深聯合物業管理有限公司), a company listed on the GEM of the Stock Exchange (stock code: 8181), since October 2015, and an independent non-executive director of Holly Futures (弘業期貨股份有限公司), a company listed on the GEM of the Stock Exchange (stock code: 3678), since June 2015.

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

Mr. GAO Gordon Xia (高峽), aged 47, is an independent non-executive Director appointed on 25 November 2015. Mr. GAO holds a master of business administration from Fordham University in the United States. He obtained his bachelor degree in management of information system from the Beijing Information Engineering Institute (北京資訊工程學院) in 1992.

Mr. GAO has worked in various entities including the PRC government, enterprises in the PRC and the United States, listed companies and financial institutions for many years. He is experienced in the information technology, telecommunications and media industries. Mr. GAO currently serves as the chief operating officer and chief executive officer of Groupon China (gaopeng.com) (高朋團購) and a consultant at Tencent (騰訊) group providing commercialization consultancy to Wechat division. Mr. GAO joined Roosevelt Foundation as the Asia investment partner from July 2003 to July 2007. He was the founder, chief executive officer and director of CBCom Inc. (西康電訊) (listed on NASDAQ in the United States in 2001, stock code: CBCI) from June 1996 to December 2001.

SENIOR MANAGEMENT

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

Name	Age	Positions within the Company
SUN Hongchun	52	Vice President of Production and Technology
SONG Shuli	40	Chief Financial Officer
GONG Jianpei	54	Chief Designer
SUN Qiaoyun	46	Finance Controller
XU Dongsheng	41	Chief Strategy Officer and General Manager of Entertainment and Media

Ms. SUN Hongchun (孫紅春), aged 52, is our Company's vice president of production and technology. Ms. SUN served as a general manager of Yinshilai Textile since March 2005, primarily responsible for the implementation of enterprise routine management and business plan. Ms. SUN was appointed as a director of Yinshilai Textile in September 2005. Ms. SUN has accumulated 26 years of experience in the textile industry which can be traced back to 1990, including serving as a factory supervisor, head of production technology department of Zibo Wanjie Group Co., Ltd. (淄博萬杰集團有限公司), deputy factory supervisor, deputy general manager of Zibo Wanjie Fiber Co., Ltd. (淄博萬杰纖維有限公司) and general manager of Wanjie Knitting Company (萬杰織造公司). Ms. SUN was recognized as the ''Model Worker of the Textile Industry of the PRC'' (全國紡織工業勞動模範) by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and China Textile and Apparel Council (中國紡織工業協會) in 2010, the ''Outstanding Manager of the Shandong Province for the year 2010'' (二零一零年度山東省優秀經營管理者) by the Shandong Economic and Information Technology Committee (山東省經濟和信息化委員會), the second prize of the ''Modern Innovation and Excellent Application of Enterprises Management of the Shandong Province Award'' (山東省企業管理現代化創新及優秀應用成果二等獎) by the Modern and Innovative Contribution of Enterprises Management of the Shandong Province Award Committee (山東省企業管理現代化創新成果評審委員會) in December 2010, and ''the Honour of Excellent Innovative Leader of the Boshan District'' (博山區優秀創新帶頭人榮譽) by the Peoples's Government of Boshan District (博山區人民政府). Ms. SUN has also participated in a chemical fiber technology development project which was recognized as a ''Spark Program Achievement at the National Level'' (國家級星火計劃科技成果) by the Science and Technology Commission of Shandong Province (山東省科學技術委員會) in December 1993.

Ms. SUN graduated from the College of Textile Engineering of Shandong (山東紡織工學院) with a bachelor degree majoring in textile engineering in June 1990.

Mr. SONG Shuli (宋樹利), aged 40, has been our Chief Financial Officer since July 2011 and is responsible for our Group's financial and accounting functions, and overseeing the financial reporting and accounting functions. Mr. SONG obtained a bachelor degree in laws from the Shandong Normal University (山東師範大學) in December 2009. Mr. SONG was qualified as a certified tax adviser, a qualified property valuer and a qualified accountant in China in September 2005, September 2005 and October 2005, respectively. Mr. SONG worked in a number of professional accounting firms in China prior to joining our Group.

Mr. GONG Jianpei (龔建培), aged 54, joined our Group in August 2011 when he was appointed as our chief designer on a part-time basis. His duties include conducting market research and analysis as to textile products, assisting us in new products design and development, providing training to the staff in our research and development and product design department, and assisting us in the planning of design competition and headhunting. Mr. GONG is experienced in textile fabric design. He was awarded the first-class theses award by the National Textile Design Competition And Theory Seminar (2001全國紡織品設計大賽暨理論研討會) in 2001, a silver prize in the ''Fourth National Interior Design Competition'' (全國第四屆室內設計大賽) by China Interior Decoration Association (中國室內裝飾協會) in 2002, a silver prize for his thesis in the ''Chinese International Household Textile Design Competition'' (中國國際家用紡織品設計大賽) by China Home Textile Association (中國家用紡織品行業協會), The Sub-Council of Textile Industry, CCPIT (中國國際貿易促進委員會紡織行業分會), Messe Frankfurt (HK) Ltd (法蘭克福展覽（香港）有限公司), and The People's Government of Hianing, Zhejiang Province (浙江省海寧市人民政府) in 2003, an award of excellence for his thesis in the Chinese Fashion Colour Association (中國流行色協會) in December 2003, the ''First Prize Teaching Achievement Award'' (教學成就一等獎) by the Nanjing Art Institute (南京藝術學院) in 2004, and the ''Second Prize Achievement Award for Undergraduates Teaching in Jiangsu Province for 2004'' (2004年江蘇省高等教育教學成果獎二等獎) by the Education Department of Jiangsu Province (江蘇省教育廳) in 2005, respectively.

Mr. GONG is currently holding a number of posts in professional institutes in relation to design and textile. He is also a qualified designer of the Designer Chapter of the Chinese Household Textile Association (中國家紡協會設計師分會), a specialist of the Textile & Garment Chamber of Commerce, All-China Association of Industry & Commerce (中華全國工商業聯合會紡織服裝業商會), a councilor of the International Natural Dyeing Association (國際自然染色協會), and a councilor of the Chinese Fashion Colour Association (中國流行色協會).

Ms. SUN Qiaoyun (孫巧雲), aged 46, is our finance controller. Ms. SUN joined our Group as the chief of the accounting and finance department of Yinshilai Textile in November 2004 and was appointed as a director of Yinshilai Textile in March 2006. Ms. SUN has accumulated 25 years of experience in finance and management which can be traced back to 1991 when she served as the manager of the finance department of Zibo Wanjie Fiber Co., Ltd. (淄博萬杰纖維有限公司).

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

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

Mr. XU Dongsheng (徐東升), aged 41, the Chief Strategy Officer and the General Manager of Entertainment and Media. Mr. XU has accumulated abundant experience in the field of culture, media, finance and investment and has held position as a vice president of Beijing Paige Taihe Fanzai Culture Media Company Limited (北京派格太合泛在文化傳媒有限公司) since June 2014, principally engaged in television drama investment and management of media focused funds. From May 2010 to May 2014, he was the chief investment officer Hangzhou Shuoyuan Investment Company Limited (杭州碩源投資有限公司) and a director for strategy and marketing of Zhejiang Supor Company Limited (浙江蘇泊爾家電製造有限公司), a company controlled by French home appliance company Groupe SEB. He was in charge of strategy making, investment, branding, and government relations and other core businesses. From April 2007 to May 2010, Mr. XU worked with Sony Ericsson Mobile Communications (China) Co. Ltd., responsible for PRC customer product line strategic development, operations management and management of cooperation platform for mobile Internet providers.

Mr. XU graduated from Beijing University of Technology in 1998 with a degree in Computer Science and obtained a master degree in business administration from China Europe International Business School in 2004.

COMPANY SECRETARY

Ms. CHAN Yin Wah (陳燕華), aged 40, is an associate director of SW Corporate Services Group Limited. She has over 15 years of professional experience in handling corporate secretarial, compliance and share registry matters for listed companies in Hong Kong. She worked for various international professional firms and listed companies in Hong Kong. Ms. CHAN holds a Bachelor's degree in economics and a master's degree in professional accounting. She is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

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

For the year ended to 31 December 2015, the Company had adopted and complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except Code Provisions A.1.8 and A.2.1 as more particularly described below.

Code Provision A.1.8 stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. For the year ended to 31 December 2015, the Company has not arranged such insurance coverage for the Directors as the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks. From 12 January 2016, the Company has arranged appropriate insurance coverage in respect of legal action against its Directors and senior management, and the Company is in compliance with the Code Provision A.1.8 from 12 January 2016.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the period from 1 January 2015 to 31 March 2015, Mr. Liu Dong has been the chairman and chief executive officer of the Company. With the development of the Company and for enhancement of corporate governance, on 1 April 2015, Mr. Liu Dong resigned from his position as the chief executive officer of the Company, and Mr. Liu Zongjun was appointed as the chief executive officer of the Company. Mr. Liu Zongjun has been an executive Director of the Company and has served as vice president of administration since the Company has been listed, and the Board is in view that Mr. Liu Zongjun is qualified to take over the position as the chief executive officer of the Company in all aspects including his personal ability, quality, experience, knowledge, and educational background etc. Since 1 April 2015, Code Provision A.2.1 has been complied with by the Company.

BOARD DIVERSITY POLICY

Code Provision A.5.6 stipulates that the nomination committee (the "**Nomination Committee**") (or **the Board**) should have a policy concerning diversity of Board members, and should disclose the policy or a summary of the policy in the corporate governance report (The code provision was effective from1 September 2013).

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

The Company commits to selecting the best person to be members of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, age, length of service) will be disclosed in the Corporate Governance Report annually.

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

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

Model code for securities transaction by the directors

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

The Board of Directors

Composition

The Board currently comprises six Directors, of which Mr. LIU Dong, Mr. LIU Zongjun, and Ms. CHEN Chen are executive Directors; and Mr. PAN Hongye, Mr. LAM Kai Yeung, and Mr. GAO Gordon Xia are independent non-executive Directors. The composition of the Board is as follows:

Executive Directors:
LIU Dong *(Chairman)*
LIU Zongjun
CHEN Chen

Independent non-executive Directors:
PAN Hongye
LAM Kai Yeung
GAO Gordon Xia

Ms. CHEN Chen was appointed as executive Director on 24 September 2015.

Mr. PAN Hongye was appointed as independent non-executive Director on 3 November 2015.

Mr. GAO Gordon Xia was appointed as independent non-executive Director on 25 November 2015.

The biographical details of each Director are set out in the section "Directors and Senior Management Profile" on pages 19 to 27.

Board meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such regular Board meetings do not involve the way of written resolutions approved by the Board. During the year ended 31 December 2015, eight Board meetings, two Audit Committee meetings, two Nomination Committee meetings, two Remuneration Committee meetings and annual general meeting ("**AGM**") were held and the attendance records of individual Directors are set out below:

	Directors' attendance / meetings held (for the year ended 31 December 2015)				
	Board of Directors	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**AGM**
Executive Directors					
LIU Dong *(Chairman)*	8/8	2/2	2/2	2/2	1/1
LIU Zongjun	8/8	2/2	N/A	N/A	1/1
TIAN Chengjie *(resigned on 24 September 2015)*	2/2	2/2	N/A	N/A	1/1
CHEN Chen *(appointed on 24 September 2015)*	5/5	0/0	N/A	N/A	0/0
Independent non-executive Directors					
ZHU Ping *(resigned on 3 November 2015)*	4/4	2/2	2/2	2/2	1/1
LAM Kai Yeung	8/8	2/2	N/A	N/A	1/1
CHANG Tao *(resigned on 25 November 2015)*	5/5	2/2	2/2	2/2	1/1
PAN Hongye *(appointed on 3 November 2015)*	4/4	0/0	0/0	0/0	0/0
GAO Gordon Xia *(appointed on 25 November 2015)*	3/3	0/0	0/0	0/0	0/0

There are three independent non-executive Directors and they represent over one third of the Board, and one of them, Mr. LAM Kai Yeung has the appropriate professional qualifications.

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

Directors have access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes are sent to all Directors for their comment and records. Minutes of Board meetings are kept by the company secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

Responsibilities of the Board and management

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

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

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

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. The financial statements set out on pages 55 to 125 were prepared on the basis set out in note 1 to the Financial Statements. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The declaration of reporting responsibility issued by the external auditors of the Company on the Company's financial statements is set out in the Independent Auditors' Report on pages 53 and 54.

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

Confirmation of independence

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

Continuous professional development

During the year ended 31 December 2015, all Directors, namely, Mr. LIU Dong, Mr. LIU Zongjun, Ms. CHEN Chen, Mr. PAN Hongye, Mr. LAM Kai Yeung, Mr. GAO Gordon Xia, Mr. TIAN Chengjie, Mr. ZHU Ping and Mr. CHANG Tao have been given relevant guidance materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. Continuing briefings and professional development to all Directors will be arranged whenever necessary.

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

Independent non-executive Director

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

In accordance with the articles of association of the Company, at each AGM, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the name of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. Such retiring Directors may, being eligible, offer themselves for re-election at the AGM. All Directors appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Nomination Committee

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

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; access the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee comprises three members and two of them are independent non-executive Directors, namely Mr. GAO Gordon Xia (being the Chairman), Mr. PAN Hongye and one Executive Director, namely Mr. LIU Dong.

During the year ended 31 December 2015, two Nomination Committee meetings were held during this period. The Nomination Committee meetings were held on 27 March 2015 and 21 August 2015, inter alia, reviewing the structure, size and composition of the Board and the independence of independent non-executive Directors as well as discussing the matters regarding retirement and re-election of Directors.

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

Remuneration Committee

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

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and ensure none of the Directors determine their own remuneration. The emoluments of executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration of the Company's performance and prevailing market conditions. The remuneration policy of independent non-executive Directors is to ensure that the independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of independent non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends. The Remuneration Committee consists of three members and two of them are independent non-executive Directors, namely Mr. PAN Hongye (being the Chairman), Mr. GAO Gordon Xia and one executive Director, namely Mr. LIU Dong.

Details of remuneration of Directors are set out in note 7 to the Financial Statements. No director has waived or agreed to waive any emoluments during the year ended 31 December 2015 (2014: nil).

During the year ended 31 December 2015, two meetings were held by the Remuneration Committee. The Remuneration Committee meetings were held on 27 March 2015 and 21 August 2015 for, inter alia, reviewing the overall remuneration policy and structure relating to all Directors and senior management of the Group.

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

Audit Committee

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

The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting and overseas internal control procedures of the Company. As at the date of this annual report, the Audit Committee consists of three independent non-executive Directors, namely Mr. LAM Kai Yeung (being the Chairman), Mr. PAN Hongye and Mr. GAO Gordon Xia.

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

During the year ended 31 December 2015, two meetings were held by the Audit Committee and all the members of Audit Committee had attended the meeting.

During the year ended 31 December 2015, the Board has not taken a different view from the Audit Committee on the selection, appointment, resignation or dismissal of external auditors.

Corporate governance functions

The Board developed and reviewed the Company's policies and practices on corporate governance and made recommendations.

Auditor's remuneration

During the Year, the Company engaged KPMG as the external auditors. The fees in respect of audit services provided by KPMG for the year ended 31 December 2015 amounted to approximately RMB1.7 million.

The reporting responsibilities of KPMG are set out in the Independent Auditors' Report on pages 53 and 54.

Company secretary

Ms. CHAN Yin Wah of SW Corporate Services Group Limited, an external service provider, has been engaged by the Company as the company secretary since September 2011, her biographical detail is set out in the section headed "Directors and Senior Management Profiles" in this annual report. Ms. Chan has complied with the requirement under Rule 3.29 of the Listing Rules during the Year. The primary contact person of the Company is Mr. TIAN Chengjie, the secretary to the Board of the Company in relation to any corporate secretarial matters.

Internal controls

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the shareholders and the assets of the Company against unauthorized use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The Board has conducted a review of the effectiveness of the Group's internal control system for the year ended 31 December 2015 and will continue to assess the effectiveness of internal controls by considering reviews performed by the Audit Committee and executive management.

Shareholders' rights

The shareholders of the Company may make requisition for the convening of an extraordinary general meeting ("EGM") of the Company in accordance with the procedures set out in the Articles of Association as follows:

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

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

Principal place of business of the Company in Hong Kong

Address: 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Attention: Mr. TIAN Chengjie

Head office of the Company in the PRC

Address: Yinlong Village, Economic Development Zone, Boshan District, Zibo City, Shandong, province, the PRC
Attention: Mr. TIAN Chengjie

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

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

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

Address: Yinlong Village, Economic Development Zone, Boshan District, Zibo City, Shandong, province, the PRC
Email: tian@ysltex.com
Tel: (86) 533 7918168
Fax: (86) 533 4656266
Attention: Mr. TIAN Chengjie

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

Investor relations and communication

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

The Company updates its shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. Extensive information about the Company's activities for the year ended 31 December 2015 has been provided in this annual report. While the AGM provides a valuable forum for direct communication between the Board and its shareholders, the Company also maintains its website (http://www.ysltex.com) to provide an alternative communication channel for the public and its shareholders. All corporate communication and Company's latest updates are available on the Company's website for public's information.

During the year ended 31 December 2015, there has been no significant change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their directors' report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015 (the "**Financial Statements**").

Principal activities

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

Use of proceeds

As stated in the section headed ''Future Plans and Use of Proceeds'' of the Prospectus, the Company intended to apply part of the net proceeds from the global offering (the "Net IPO Proceeds") for the expansion and upgrade of production facilities of wide width shuttleless loom and supporting equipment for the purpose of increasing the Group's production capacity of fabric products. The Net IPO Proceeds of approximately HKD140.0 million (equivalent to approximately RMB112.0 million), out of which, approximately 66.0% of the Net IPO Proceeds or approximately HKD92.0 million (equivalent to approximately RMB74.0 million) was designated to be used for the above purpose.

Nevertheless, due to on-going weak market demand of both the international and domestic textile markets, after investigation and analysis conducted by the Group, the Board decided to adjust part of the use of the Net IPO Proceeds, which were originally designated to the above purpose, and apply such part of the Net IPO Proceeds for the acquisition of 100,000 spindles of new type yarn spinning facilities for production of yarns as raw materials of the Group in order to better control the cost and supply of yarns required for existing production. The estimated total purchase price was approximately RMB200.0 million. The remaining funds to be required were financed by the Group's internal resources and bank loans. Relevant details were set out in the announcement of the Company dated 23 January 2013 published on the website of the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The above mentioned project was launched in November 2012, and now has been in full operation.

Results and appropriations

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Group as at 31 December 2015 are set out in the Financial Statements on pages 55 to 125.

The year of 2016 is essential for the development of the Company. The traditional textile business needs to overcome the unfavorable conditions due to the downtrend of industry development, and make positive efforts to deal with. At the same time, the media business in its early development and consolidation also need further investment. Therefore, the Board doesn't recommend the payment of a final dividend for the year ended 31 December 2015. At this point, the Board is committed to make the best efforts to seek the development of the Company in future years, in order to get a better return for the shareholders of the Company.

5-year financial summary

A summary of the results and assets and liabilities of the Group for the last 5 financial years ended 31 December 2011 to 31 December 2015 is set out on page 7. This summary does not form part of the Financial Statements.

Share capital

Details of movements in share capital of the Company during the Year are set out in note 27 to the Financial Statements.

Share option scheme

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

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

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

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

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

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

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

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

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

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

Upon acceptance of the options, the grantee shall pay HKD1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years commencing on the Date of Grant and expiring on the last day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme.

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 80,000,000 shares, which represents 8.35% of the shares in issue of the Company as at the date of this annual report.

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

During the year ended 31 December 2015, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme.

Apart from the aforesaid share option schemes, at no time during the year ended 31 December 2015 was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such right.

Distributable reserves

The Company was incorporated in the Cayman Islands on 24 February 2010. As at 31 December 2015, the Company had distributable reserves of approximately RMB370.4 million available for distribution to the shareholders.

Major customers and suppliers

Sales to the Group’s five largest customers accounted for approximately 32% of the total sales for the year ended 31 December 2015 and sales to the largest customer included therein accounted for approximately 8% thereof. Purchases from the Group’s five largest suppliers accounted for approximately 22% of the total purchases for the year ended 31 December 2015 and purchases from the largest supplier included therein accounted for approximately 9% thereof.

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

Subsidiaries, associated companies and jointly controlled companies

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

Fixed assets

During the year ended 31 December 2015, the Group’s total capital expenditure amounted to approximately RMB28.7 million (2014: approximately RMB63.5 million) which was mainly used for acquisition of buildings, machinery and equipment. The details of the changes in the properties, plant and equipment and leasehold land of the Group during the year are set out in note 11 to the Financial Statements.

Borrowings

Particulars of borrowings of the Group as at the end of the reporting period are set out in notes 23, 24 and 25 to the Financial Statements. Save as disclosed in note 20 to the Financial Statement, the Group pledged its machinery and equipment with net book value of approximately RMB13.3 million (2014: approximately RMB119.5 million) to bank as securities for the bank borrowings as at 31 December 2015. Besides, machinery and equipment with net book value of approximately RMB 40.1 million (2014: RMB 69.3 million) were held under finance lease as at 31 December 2015.

Purchase, sale or redemption of the Company’s listed securities

For the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

Directors

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

LIU Dong (Chairman)
LIU Zongjun

TIAN Chengjie (resigned on 24 September 2015)
CHEN Chen (appointed on 24 September 2015)
ZHU Ping (resigned on3 November 2015)
LAM Kai Yeung
CHANG Tao (resigned on 25 November 2015)
PAN Hongye (appointed on 3 November 2015)
GAO Gordon Xia (appointed on 25 November 2015)

Directors and Directors' service contracts

Each of the executive Directors has entered into a letter of appointment with the Company for a term of three years from the Listing Date and shall continue thereafter until terminated by, not less than three months' notice in writing served by either party on the other.

The independent non-executive Directors of Mr. LAM Kai Yeung has entered into a letter of appointment with the Company on 26 June 2015 for a term of three years. The executive Director of Ms. CHEN Chen has entered into a letter of appointment with the company on 24 September 2015 for a term of three years. The independent non-executive Director of Mr. PAN Hongye has entered into a letter of appointment with the company on 3 November 2015 for a term of three years, and the independent non-executive Director of Mr. GAO Gordon Xia has entered into a letter of appointment with the company on 25 November 2015 for a term of three years, subject to retirement by rotation and re-election at an AGM and until terminated by not less than three months' notice in writing served by either party on the other.

No Director has a service contract which is not determinable by the Company or any of its subsidiaries within 1 year without payment of compensation, other than statutory compensation.

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

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

Biographies of Directors and senior management

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Directors and Senior Management Profile" on pages 19 to 27 of this annual report.

Non-competition undertaking by controlling shareholders

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

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

Interests and short positions of Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations

As at 31 December 2015, the Directors and chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Name of Directors	**Name of Group member/ associated corporation**	**Capacity/nature of interest**	**Number and class of securities** *(Note 1)*	**Approximate percentage of shareholding**
Mr. LIU Dong *(Note 2)*	The Company	Interest of a controlled corporation	273,609,836 shares (L)	28.57%
	Excel Orient Limited	Beneficial owner	1 share (L)	100%

Notes:

1. The letter "L" denotes the Directors' long position in the shares or the relevant associated corporation.

2. The shares are held by Excel Orient Limited which is a company incorporated in the BVI and the entire issued capital of which is beneficially owned by Mr. LIU Dong.

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

Interest discloseable under the SFO and substantial shareholders

As at 31 December 2015, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	**Name of Group member/associated corporation**	**Capacity/nature of interest**	**Number and class of securities** *(Note 1)*	**Approximate percentage of shareholding**
Excel Orient Limited *(Note 2)*	The Company	Beneficial owner	273,609,836 shares (L)	28.57%
Ms. WANG Lingli *(Note 3)*	The Company	Family interest	273,609,836 shares (L)	28.57%
Aim Right Ventures Limited *(Note 4)*	The Company	Beneficial owner	157,644,656 shares (L)	16.46%
Mr. LIU Zhihua *(Note 5)*	The Company	Interest of a controlled corporation	157,644,656 shares (L)	16.46%
Ms. ZOU Guoling *(Note 6)*	The Company	Family interest	157,644,656 shares (L)	16.46%

Notes:

1. The letter “L” denotes the long position of the persons/entities (other than the Directors or chief executives of the Company) in the shares of our Company or the relevant Group member.

2. Excel Orient Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. LIU Dong. Therefore, Mr. LIU Dong is also deemed to have the interest owned by Excel Orient Limited.

3. Ms. WANG Lingli is the spouse of Mr. LIU Dong. Therefore, Ms. WANG Lingli is deemed, or taken to be interested in the shares which Mr. LIU Dong is interested in for the purpose of the SFO.

4. Aim Right Ventures Limited is a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. LIU Zhihua. Therefore, Mr. LIU Zhihua also deemed to have the interest owned by Aim Right Ventures Limited.

5. These Shares are held by Aim Right Ventures Limited which is a company incorporated in the BVI and the entire issued capital of which is beneficially owned by Mr. LIU Zhihua.

6. Ms. ZOU Guoling is the spouse of Mr. LIU Zhihua. Therefore, Ms. ZOU Guoling is deemed, or taken to be interested in the shares which Mr. LIU Zhihua is interested in for the purpose of the SFO.

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Connected Transactions

The Company had not entered into any connected transaction required to be disclosed under the Listing Rules during the year. Related party transactions entered into by the Group during the year ended 31 December 2015 and 2014, which do not constitute connected transactions required to be disclosed under the Listing Rules, are disclosed in note 32 to the Financial Statements.

Competition and conflict of interests

During the year ended 31 December 2015, save as disclosed in the Prospectus of the Company dated 29 June 2012, none of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Permitted Indemnity Provision

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

Directors' Material Interests in Transactions, Arrangement or Contracts

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

Equity-Linked Agreements

Other than the share option scheme of the Company as well as the issue of new shares of the Company disclosed in the paragraph of "Material acquisitions and disposals of subsidiaries and affiliated companies" in the Management Discussion and Analysis on page 15, no equity-linked agreements were entered into by the Company during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2015.

Tax relief and exemption

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

Pre-emptive rights

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

Sufficiency of public float

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

Corporate governance report

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

BUSINESS REVIEW

Overview

The fair review of the Group's business is detailed in the Management Discussion and Analysis on pages 8 to 9 of this annual report. The discussion constitutes a part of this report of this Directors' Report.

Principal Risks and Uncertainties

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

Important Events after the Reporting Period

The important events after the reporting period of the Group are detailed in the events after the reporting period under the Management Discussion and Analysis on pages 15 of this annual report. The report constitutes a part of this Report of the Directors.

Future Development

The future developments of the Group are detailed in the Management Discussion and Analysis on pages 16 to 18 of this annual report. The report constitutes a part of this Report of the Directors.

Key Performance Indicators

The key performance indicators are detailed in the financial review under Management Discussion and Analysis on page 10 to 15 of this annual report. The financial review constitutes a part of this Directors' Report.

Environmental Policies and Performance

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

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

Compliance with Laws and Regulations

During the year ended 31 December 2015, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 14 June 2016 to Friday, 17 June 2016, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 13 June 2016.

Relationships with Employees

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

Relationships with Customers and Suppliers

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

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

Annual general meeting

The AGM will be held on Friday, 17 June 2016. Shareholders should refer to details regarding the AGM in the circular of the Company to be despatched in April 2016 and the notice of the AGM and form of proxy accompanying thereto.

Auditor

The financial statements for the year ended 31 December 2015 have been audited by KPMG, which retires and, being eligible, offers itself for re-appointment at the 2016 AGM. A resolution to re-appoint KPMG and to authorise the Directors to fix its remuneration will be proposed at the 2016 AGM.

By order of the Board
Silverman Holdings Limited
LIU Dong
Chairman

Shandong Province, the PRC
29 March 2016

Independent auditor's report to the shareholders of Silverman Holdings Limited

(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Silverman Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 55 to 125, which comprise the consolidated statements of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

Independent auditor's report to the shareholders of Silverman Holdings Limited (continued)

(Incorporated in Cayman Islands with limited liability)

Auditor's responsibility (continued)

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

29 March 2016

Silverman Holdings Limited
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015

(Expressed in Renminbi Yuan)

	Note	***2015***	*2014*
		RMB'000	RMB'000
Turnover	3	**654,037**	759,800
Cost of sales		**(552,973)**	(656,790)
Gross profit		**101,064**	103,010
Other revenue	4	**-**	240
Other net income	4	**4,081**	3,799
Distribution costs		**(15,262)**	(13,409)
Administrative expenses		**(65,352)**	(65,240)
Profit from operations		**24,531**	28,400
Finance income	5(a)	**2,958**	1,757
Finance costs	5(a)	**(17,485)**	(21,555)
Share of profit of an associate	15	**35**	-
Profit before taxation	5	**10,039**	8,602
Income tax	6	**(2,702)**	(968)
Profit and total comprehensive income for the year		**7,337**	7,634
Profit and total comprehensive income attributable to equity shareholders of the Company		**7,337**	7,634
Earnings per share			
Basic and diluted	10	**RMB0.0091**	RMB0.0095

The notes on pages 61 to 125 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27.

Silverman Holdings Limited
Consolidated statement of financial position at 31 December 2015

(Expressed in Renminbi Yuan)

	Note	***2015*** **RMB'000**	*2014* RMB'000
Non-current assets			
Property, plant and equipment	11	**488,066**	530,229
Interests in leasehold land held for own use under operating leases	11	**55,843**	51,977
		543,909	582,206
Intangible assets	12	**6,974**	79
Goodwill	13	**437,290**	6,394
Investment in an associate	15	**7,293**	-
Investments in equity securities	16	**1,100**	1,000
Deferred expenses	19	**2,215**	3,341
Deferred tax assets	26	**296**	1,014
		999,077	594,034
Current assets			
Inventories	17	**147,905**	132,377
Television drama series	18	**50,690**	-
Trade and other receivables	19	**153,722**	159,708
Pledged bank deposits	20	**11,315**	15,971
Cash and cash equivalents	21	**113,331**	122,356
		476,963	430,412
Current liabilities			
Trade and other payables	22	**184,537**	109,999
Promissory note	23	**167,556**	-
Bank loans	24	**204,500**	258,000
Obligations under finance leases	25	**16,942**	18,369
Current taxation	26	**13,115**	4,570
		586,650	390,938

The notes on pages 61 to 125 form part of these financial statements.

Silverman Holdings Limited
Consolidated statement of financial position at 31 December 2015 (continued)

(Expressed in Renminbi Yuan)

	Note	***2015*** **RMB'000**	*2014* RMB'000
Net current (liabilities)/assets		**(109,687)**	39,474
Total assets less current liabilities		**889,390**	633,508
Non-current liabilities			
Bank loans	24	**-**	8,500
Obligations under finance leases	25	**3,850**	22,814
Deferred tax liabilities	26	**-**	760
		3,850	32,074
Net assets		**885,540**	601,434
Capital and reserves			
Share capital	27	**60,785**	50,577
Reserves	27	**824,755**	550,857
Total equity		**885,540**	601,434

Approved and authorised for issue by the board of directors on 29 March 2016.

Liu Dong	)	
	)	Directors
Chen Chen	)	

The notes on pages 61 to 125 form part of these financial statements.

Silverman Holdings Limited
Consolidated statement of changes in equity
for the year ended 31 December 2015

(Expressed in Renminbi Yuan)

	Share capital RMB'000	*Share premium* RMB'000	*Capital reserve* RMB'000	*Statutory Surplus reserve* RMB'000	*Other reserve* RMB'000	*Retained earnings* RMB'000	*Total equity* RMB'000
Balance at 1 January 2014	50,577	74,447	(909)	55,308	119,359	302,618	601,400
Changes in equity for 2014:							
Profit and total comprehensive income for the year	-	-	-	-	-	7,634	7,634
Dividends approved in respect of the previous year	-	-	-	-	-	(7,600)	(7,600)
Appropriations to statutory reserve	-	-	-	1,185	-	(1,185)	-
Balance at 31 December 2014 and 1 January 2015	50,577	74,447	(909)	56,493	119,359	301,467	601,434
Changes in equity for 2015:							
Profit and total comprehensive income for the year	-	-	-	-	-	7,337	7,337
Shares issuance	10,208	274,161	-	-	-	-	284,369
Dividends approved in respect of the previous year	-	-	-	-	-	(7,600)	(7,600)
Appropriations to statutory reserve	-	-	-	1,106	-	(1,106)	-
Balance at 31 December 2015	**60,785**	**348,608**	**(909)**	**57,599**	**119,359**	**300,098**	**885,540**

The notes on pages 61 to 125 form part of these financial statements.

Silverman Holdings Limited
Consolidated cash flow statement
for the year ended 31 December 2015

(Expressed in Renminbi Yuan)

	Note	***2015*** **RMB'000**	*2014* RMB'000
Operating activities			
Cash generated from operations	21	**119,176**	91,642
Income tax paid		**-**	(2,389)
Net cash generated from operating Activities		**119,176**	89,253
Investing activities			
Acquisition of subsidiaries, net of cash acquired	29(f)	**2,714**	-
Payment for the purchase of property, plant and equipment and leasehold land		**(28,711)**	(63,545)
Proceeds from repayment of advance to third parties		**2,660**	1,500
Proceeds from sale of property, plant and equipment		**88**	278
Net proceeds from purchases and sales of investments		**2,101**	170
Interest received		**2,000**	1,170
Dividend income from unlisted shares		**-**	240
Net cash used in investing activities		**(19,148)**	(60,187)

The notes on pages 61 to 125 form part of these financial statements.

Silverman Holdings Limited
Consolidated cash flow statement
for the year ended 31 December 2015 (continued)

(Expressed in Renminbi Yuan)

	Note	***2015***	*2014*
		RMB'000	RMB'000
Financing activities			
Capital element of finance lease rental paid		**(20,391)**	(22,565)
Proceeds from bank loans		**420,857**	295,000
Repayment of bank loans		**(482,857)**	(252,500)
Proceeds from advance from third parties		**-**	3,947
Repayment of advance from third parties		**(2,926)**	(6,000)
Interest element of finance lease rental paid		**(2,524)**	(3,386)
Other borrowing costs paid		**(14,234)**	(15,981)
Dividends paid to equity shareholders of the Company	27	**(7,600)**	(7,600)
Net cash used in financing activities		**(109,675)**	(9,085)
Net (decrease)/increase in cash and cash equivalents		**(9,647)**	19,981
Cash and cash equivalents at 1 January	21	**122,356**	102,375
Effect of foreign exchange rate change		**622**	-
Cash and cash equivalents at 31 December	21	**113,331**	122,356

The notes on pages 61 to 125 form part of these financial statements.

Notes to the financial statements

(Expressed in Renminbi Yuan 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") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out 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 and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current 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 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

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

- financial instruments classified as available-for-sale or as trading securities (see note 1(g)); and

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

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

1 Significant accounting policies (continued)

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

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

As at 31 December 2015, the Group's current liabilities exceed its current assets by RMB109,687,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. The directors have made an assessment and concluded that the Group is able to continue as a going concern and will have sufficient working capital to fulfil its financial obligations, as and when they fall due, for at least the next twelve months from the date of the financial statements, having regard to the available unutilised bank facilities and the Group's ability to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The consolidated financial statements do not include any of these adjustments.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's result and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

1 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

1 Significant accounting policies (continued)

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

(e) Associates

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

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

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

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

(f) Goodwill

Goodwill represents the excess of

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

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

1 Significant accounting policies (continued)

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

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

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

(g) Other investments in equity securities and derivative financial instrument

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

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(u).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(k)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(k)). Dividend income from equity securities are recognised in profit or loss in accordance with the policy set out in notes 1(u).

1 Significant accounting policies (continued)

When the investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

Derivative financial instruments are recognized initially 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 recognized immediately in profit or loss.

(h) Property, plant and equipment

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

- buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(j)); and

- other items of plant and equipment.

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

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 situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– machinery and equipment	5 – 10 years
– office equipment	3 – 5 years
– motor vehicles	3 – 5 years

1 Significant accounting policies (continued)

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

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

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

(i) Intangible assets (other than goodwill)

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

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

– non-competition agreement is amortised over the shorter of the unexpired term of the agreement and its estimated useful lives.

– trademarks and patent	5 – 10 years
– computer software	5 years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement convey a right to use a specific asset or assets of 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.

1 Significant accounting policies (continued)

(i) Classification of assets leased to the Group

Assets that are held by the 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.

(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 included in 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(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(k). 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 periods. 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 assets. 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.

(k) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investments in equity securities and current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

1 Significant accounting policies (continued)

- significant financial difficulty 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 exists, any impairment loss is determined and recognised as follows:

- For investments in associates accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is 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 (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

1 Significant accounting policies (continued)

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at 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;

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

– construction in progress;

– intangible assets;

– goodwill;

– television drama series; and

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

1 Significant accounting policies (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, 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 to 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 favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

1 Significant accounting policies (continued)

(l) Inventories

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

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

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

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

(m) Television drama series

Television drama series represent completed television drama series and television drama series in production.

Completed television drama series are stated at cost less any identified impairment losses (note 1(k)). Cost of completed television drama series comprise fees paid and payable under agreements, direct costs/expenses incurred during the production of television drama series. The costs of completed television drama series are recognized as an expense based on the proportion of actual income earned from a television drama series during the year to the total estimated income from the distribution of television drama series.

Television drama series in production represents television drama series under production and is stated at cost less any impairment losses (note 1(k)). The costs include all direct costs associated with the production of television drama series. Costs are transferred to completed television drama series upon completion.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

1 Significant accounting policies (continued)

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(t), 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.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(r) Employee benefits

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

Contributions to defined contributions retirement scheme as required under relevant laws and regulations in the People's Republic of China are charged to profit or loss when incurred.

(s) 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.

1 Significant accounting policies (continued)

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

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

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

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

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.

1 Significant accounting policies (continued)

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 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 Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

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

  – the same taxable entity; or

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

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

1 Significant accounting policies (continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(t) (ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount 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.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Processing service

Processing service income is recognised when the relevant services are rendered.

(iii) Licensing and sub-licensing of television drama series

Income from licensing and sub-licensing television drama series is recognised upon the delivery of the television drama series concerned in accordance with the terms of the contracts.

1 Significant accounting policies (continued)

(iv) 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.

(v) Interest income

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

(vi) 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. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(v) Translation of foreign currencies

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

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

1 Significant accounting policies (continued)

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.

(w) Borrowing costs

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

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

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

1 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

(y) Segment reporting

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

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

2 Accounting judgement and estimates

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

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Subsidiaries arising from contractual agreements

The Group's wholly-owned subsidiaries has entered into certain contractual arrangements ("the Contractual Arrangements") with Beijing Huasheng Taitong Media Investment Co., Ltd. ("Beijing Huasheng") and its equity holders, which enable the Group to:

– exercise effective financial and operational control over Beijing Huasheng;

– exercise equity holders' voting rights of Beijing Huasheng;

– receive substantially all of the economic interest returns generated by Beijing Huasheng.

The Group does not have any equity interest in Beijing Huasheng. However, as a result of the Contractual Arrangements, the Group has rights to receive variable returns from its involvement with Beijing Huasheng and has the ability to affect those returns through its power over Beijing Huasheng and is considered to control Beijing Huasheng. Consequently, the Company regards Beijing Huasheng and its subsidiaries as indirect subsidiaries. The Group has consolidated the financial position and results after the completion of acquisition of Beijing Huasheng and its subsidiaries in the consolidated financial statements of the Group for the year ended 31 December 2015.

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

(b) Sources of estimation uncertainty

Note 13 and 28 contain information about the assumption and their risk factors relating to goodwill impairment and financial instruments. Other key source of estimation uncertainty are as follows:

2 Accounting judgement and estimates (continued)

(i) Impairment of non-current assets

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

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

(ii) Depreciation and amortisation

Property, plant and equipment and leasehold land are depreciated/amortised on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the property, plant and equipment and leasehold land regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(iii) Impairment of trade and other receivables

The Group evaluates whether there is any objective evidence that trade and other receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, credit-worthiness of the debtors and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

2 Accounting judgement and estimates

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions. Management reassesses these estimates at the end of each reporting period.

(v) Television drama series

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

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

(vi) Taxation

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

3 Turnover and segment report

(a) Turnover

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

Turnover represents the sales value of goods supplied to customers, income from licensing of television drama series and processing service income (net of sales tax, value-added tax and discounts). The amount of each significant category of revenue recognised in turnover is as follows:

	2015	*2014*
	RMB'000	RMB'000
Sales of textile products	**604,421**	736,418
Processing services income	**42,124**	23,382
Licensing of television drama series	**7,492**	-
	654,037	759,800

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenues for the year ended 31 December 2015. During the year ended 31 December 2014, there was one customer with whom transactions have exceeded 10% of the Group's revenue, which amounted to approximately RMB83,712,000.

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

(b) Segment reporting

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

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

- Television drama series: this segment produces and distributes television drama series. Currently the Group's activities in this segment are carried out in the PRC.

3 Turnover and segment report (continued)

(i) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

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

The measure used for reporting segment profit is "adjusted EBT" i.e. "adjusted earnings before taxes". To arrive at adjusted EBT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' remuneration.

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

3 Turnover and segment report (continued)

	Textile		*Television drama series*		*Total*	
	2015	*2014*	***2015***	*2014*	***2015***	*2014*
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**646,545**	759,800	**7,492**	-	**654,037**	759,800
Inter-segment revenue	**-**	-	**-**	-	**-**	-
Reportable segment revenue	**646,545**	759,800	**7,492**	-	**654,037**	759,800
Reportable segment profit (adjusted EBT)	**9,880**	9,113	**1,708**	-	**11,588**	9,113
Interest income from bank deposits	**2,000**	1,170	**-**	-	**2,000**	1,170
Interest expense	**13,765**	14,968	**-**	-	**13,765**	14,968
Depreciation and amortisation for the year	**59,531**	67,230	**93**	-	**59,624**	67,230
Impairment of trade and other receivables	**1,706**	2,255	**-**	-	**1,706**	2,255
Reportable segment assets (including investment in an associate)	**944,260**	1,022,989	**528,951**	-	**1,473,211**	1,022,989
Investment in an associate account for by the equity method	**-**	-	**7,293**	-	**7,293**	-
Additions to non-current segment assets during the year (excluding acquisition of subsidiaries)	**26,832**	63,749	**-**	-	**26,832**	63,749
Reportable segment liabilities	**493,447**	422,777	**96,850**	-	**590,297**	422,777

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

	2015	*2014*
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**654,037**	759,800
Elimination of inter-segment revenue	**-**	-
Consolidated revenue	**654,037**	759,800
Profit		
Reportable segment profit	**11,588**	9,113
Elimination of inter-segment profits	**-**	-
Reportable segment profit derived from the Group's external customers	**11,588**	9,113
Unallocated head office and corporate expenses (net)	**(1,549)**	(511)
Consolidated profit before taxation	**10,039**	8,602

3 Turnover and segment report (continued)

	2015	*2014*
	RMB'000	RMB'000
Assets		
Reportable segment assets	**1,473,211**	1,022,989
Elimination of inter-segment receivables	**-**	-
	1,473,211	1,022,989
Unallocated head office and corporate assets	**2,829**	1,457
Consolidated total assets	**1,476,040**	1,024,446
Liabilities		
Reportable segment liabilities	**590,297**	422,777
Elimination of inter-segment payables	**-**	-
	590,297	422,777
Unallocated head office and corporate liabilities	**203**	235
Consolidated total liabilities	**590,500**	423,012

(iii) Geographic information

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

	2015	*2014*
	RMB'000	RMB'000
The PRC	**598,236**	679,990
Overseas	**55,801**	79,810
	654,037	759,800

4 Other revenue and other net income

	2015	*2014*
	RMB'000	RMB'000
Other revenue		
Dividend income from unlisted shares	**-**	240

	2015	*2014*
	RMB'000	RMB'000
Other net income		
Net gain on sale of raw materials and scrap materials	**1,014**	1,543
Net (loss)/gain on disposal of property, plant and equipment	**(2,427)**	495
Government grants	**4,175**	1,119
Net gain from short-term investments and derivative financial instruments	**2,101**	170
Others	**(782)**	472
	4,081	3,799

5 Profit before taxation

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

(a) Finance income and finance costs

	2015 RMB'000	*2014* RMB'000
Finance income		
Interest income on bank deposits	**2,000**	1,170
Foreign exchange gain arising on settlement or translation of foreign currency monetary items	**958**	587
	2,958	1,757
Finance costs		
Interest on bank borrowings	**14,383**	14,968
Less : interest capitalised into property, plant and equipment*	**(618)**	-
Interest expenses	**13,765**	14,968
Finance charges on obligations under finance leases	**2,524**	3,386
Other finance charges	**1,196**	3,201
	17,485	21,555

* The borrowing costs have been capitalised at a rate of 5.24% per annum for the year ended 31 December 2015 (2014: nil).

(b) Staff costs

	2015 RMB'000	*2014* RMB'000
Salaries, wages and other benefits	**116,484**	117,701
Contributions to defined contribution retirement plan	**2,682**	3,531
	119,166	121,232

5 Profit before taxation (continued)

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organised by the relevant local authorities whereby the Group is required to make contributions to the Schemes at certain percentages of the eligible employees' salaries for the years ended 31 December 2015 and 2014. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

(c) Other items

	2015	*2014*
	RMB'000	RMB'000
Depreciation	**58,304**	66,122
Amortisation		
- leasehold land	**1,215**	1,085
- intangible assets	**105**	23
Operating lease charges:		
minimum lease payments properties	**30**	-
Impairment losses on trade receivables	**3,565**	3,755
Reversal of impairment losses on		
other receivables	**(1,859)**	(1,500)
Auditors' remuneration		
- audit services	**1,700**	800
Cost of inventories	**523,834**	654,249
Cost of television drama series	**4,597**	-

6 Income tax

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

	2015	*2014*
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax and PRC dividend withholding tax for the year	**2,744**	1,972
Deferred tax		
Origination and reversal of temporary differences	**(42)**	(1,004)
	2,702	968

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

(ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the years ended 31 December 2015 and 2014, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

(iii) For the year ended 31 December 2015, the Group's PRC subsidiaries are subject to income tax rate of 25% (2014: 25%).

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

6 Income tax (continued)

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	**10,039**	8,602
Notional tax on profit before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned	**2,964**	2,172
Effect of tax benefits	**(2,029)**	(3,625)
Effect of non-deductible expenses	**1,767**	1,661
PRC dividend withholding tax	**-**	760
Income tax expense	**2,702**	968

7 Directors' emoluments

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

	Directors' fees RMB'000	*Salaries, allowances and benefits in kind* RMB'000	*Discretionary bonuses* RMB'000	*Retirement scheme contributions* RMB'000	*2015 Total* RMB'000
Executive directors					
Liu Dong	-	531	-	5	536
Liu Zongjun	-	276	-	9	285
Chen Chen[1]	-	27	-	-	27
Tian Chengjie[4]	-	239	-	9	248
Independent Non-executive directors					
Lam Kaiyeung	-	70	-	-	70
Pan Hongye[2]	-	8	-	-	8
Gao Gordon Xia[3]	-	5	-	-	5
Zhu Ping[5]	-	59	-	-	59
Chang Tao[6]	-	48	-	-	48
	-	1,263	-	23	1,286

1 *Appointed on 24 September 2015*
2 *Appointed on 3 November 2015*
3 *Appointed on 25 November 2015*
4 *Resigned on 24 September 2015*
5 *Resigned on 3 November 2015*
6 *Resigned on 25 November 2015*

7 Directors' emoluments (continued)

	Directors' fees RMB'000	*Salaries, allowances and benefits in kind* RMB'000	*Discretionary bonuses* RMB'000	*Retirement scheme contributions* RMB'000	*2014 Total* RMB'000
Executive directors					
Liu Dong	-	538	-	5	543
Liu Zongjun	-	278	-	9	287
Tian Chengjie	-	240	-	9	249
Independent Non-executive directors					
Chang Tao[1]	-	37	-	-	37
Zhu Ping	-	66	-	-	66
Lam Kaiyeung	-	66	-	-	66
	-	1,225	-	23	1,248

[1] *Appointed on 21 March 2014*

(i) During the years ended 31 December 2015 and 2014, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office.

(ii) No directors of the Company waived or agreed to waive any remuneration during the years ended 31 December 2015 and 2014.

(iii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the years ended 31 December 2015 and 2014.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments three (2014: three) are directors whose remuneration are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2014: two) individuals are as follows:

	2015 **RMB'000**	*2014* RMB'000
Salaries and other emoluments	**304**	323
Discretionary bonuses	**-**	-
Retirement scheme contributions	**9**	10
	313	333

8 Individuals with highest emoluments (continued)

The emoluments of the two (2014: two) individuals with the highest emoluments are within the following band:

	***2015* Number of individuals**	*2014* Number of individuals
HKD Nil to HKD 1,000,000	**2**	2

9 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB10,022,000 (2014: a profit of RMB302,000) which has been dealt with in the financial statements of the Company.

10 Earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2015 is based on the profit attributable to equity shareholders of the Company of RMB7,337,000 (2014: RMB7,634,000) and the weighted average of 803,455,225 shares (2014: 800,000,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2015	*2014*
Issued ordinary shares at 1 January	**800,000,000**	800,000,000
Effect of shares issuance (note 27(d))	**3,455,225**	-
Weighted average number of ordinary shares at 31 December	**803,455,225**	800,000,000

There was no difference between basic and diluted earnings per share as there were no dilutive potential shares outstanding for the years ended 31 December 2015 and 2014 respectively.

11 Property, plant and equipment and leasehold land

(a) Reconciliation of carrying amount

	Buildings RMB'000	*Machinery and equipment* RMB'000	*Office equipment* RMB'000	*Motor vehicles* RMB'000	*Construction in progress* RMB'000	*Sub-total* RMB'000	*Interests in leasehold land held for own use under operating leases* RMB'000	*Total* RMB'000
Cost:								
At 1 January 2014	152,113	724,021	10,069	12,090	38,903	937,196	50,453	987,649
Additions	-	27,183	350	1,356	30,083	58,972	4,687	63,659
Transfer from construction in progress	18,812	14,308	-	-	(33,120)	-	-	-
Disposals	-	-	-	(2,842)	-	(2,842)	-	(2,842)
At 31 December 2014	170,925	765,512	10,419	10,604	35,866	993,326	55,140	1,048,466
At 1 January 2015	170,925	765,512	10,419	10,604	35,866	993,326	55,140	1,048,466
Additions	570	17,300	416	381	3,084	21,751	5,081	26,832
Acquisition of a subsidiary	-	120	695	50	-	865	-	865
Transfer from construction in progress	8,803	-	-	-	(8,803)	-	-	-
Disposals	-	-	-	(1,482)	(5,968)	(7,450)	-	(7,450)
At 31 December 2015	**180,298**	**782,932**	**11,530**	**9,553**	**24,179**	**1,008,492**	**60,221**	**1,068,713**
Accumulated depreciation and amortisation:								
At 1 January 2014	(20,805)	(361,907)	(9,702)	(7,080)	-	(399,494)	(2,078)	(401,572)
Charge for the year	(7,174)	(56,505)	(661)	(1,782)	-	(66,122)	(1,085)	(67,207)
Written back on disposals	-	-	-	2,519	-	2,519	-	2,519
At 31 December 2014	(27,979)	(418,412)	(10,363)	(6,343)	-	(463,097)	(3,163)	(466,260)
At 1 January 2015	(27,979)	(418,412)	(10,363)	(6,343)	-	(463,097)	(3,163)	(466,260)
Charge for the year	(8,590)	(48,592)	(91)	(1,031)	-	(58,304)	(1,215)	(59,519)
Written back on disposals	-	-	-	975	-	975	-	975
At 31 December 2015	**(36,569)**	**(467,004)**	**(10,454)**	**(6,399)**	**-**	**(520,426)**	**(4,378)**	**(524,804)**
Net book value:								
At 31 December 2015	**143,729**	**315,928**	**1,076**	**3,154**	**24,179**	**488,066**	**55,843**	**543,909**
At 31 December 2014	142,946	347,100	56	4,261	35,866	530,229	51,977	582,206

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

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

	2015 **RMB'000**	*2014* RMB'000
Properties held in the PRC		
- medium-term leases	**223,751**	230,789
Representing:		
- Buildings	**143,729**	142,946
- Construction in progress	**24,179**	35,866
- Interests in leasehold land held for own use under operating leases	**55,843**	51,977

(c) Property, plant and equipment and leasehold land with aggregate net book value of RMB13,270,000 (2014: RMB119,544,000) are pledged to secure certain bank loans of the Group totalling RMB60,000,000 as at 31 December 2015 (2014: RMB120,000,000).

(d) As at 31 December 2015, the ownership certificates for buildings and leasehold land with net book value of RMB116,749,000 (2014: RMB132,184,000) have not been obtained.

(e) In addition to the leasehold land classified as being held under a financial lease in note (b) above, the Group leases machinery and equipment under finance leases expiring in 2017. At the end of the lease term the Group has the option to purchase the leased machinery and equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

During the year ended 31 December 2015, there were no additions to machinery and equipment of the Group financed by new finance leases (2014: RMB nil). At the end of the reporting period, the net book value of machinery and equipment held under finance leases of the Group was RMB40,061,000 (2014: RMB69,289,000).

12 Intangible assets

	Non-competition agreement RMB'000	*Patents and trademarks* RMB'000	*Computer software* RMB'000	*Total* RMB'000
Cost:				
At 1 January 2014	-	50	156	206
Additions	-	-	90	90
At 31 December 2014	-	50	246	296
At 1 January 2015	-	50	246	296
Acquisition of subsidiaries	7,000	-	-	7,000
At 31 December 2015	**7,000**	**50**	**246**	**7,296**
Accumulated amortisation:				
At 1 January 2014	-	(50)	(144)	(194)
Charge for the year	-	-	(23)	(23)
At 31 December 2014	-	(50)	(167)	(217)
At 1 January 2015	-	(50)	(167)	(217)
Charge for the year	(78)	-	(27)	(105)
At 31 December 2015	**(78)**	**(50)**	**(194)**	**(322)**
Net book value:				
At 31 December 2015	**6,922**	**-**	**52**	**6,974**
At 31 December 2014	-	-	79	79

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

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

13 Goodwill

	2015	*2014*
	RMB'000	RMB'000
Cost:		
At 1 January	**6,394**	6,394
Additions	**430,896**	-
At 31 December	**437,290**	6,394
Carrying amount:		
At 1 January	**6,394**	6,394
At 31 December	**437,290**	6,394

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to operating segment as follows:

	2015	*2014*
	RMB'000	RMB'000
Textile	**6,394**	6,394
Television drama series	**430,896**	-
At 31 December	**437,290**	6,394

The recoverable amount of the CGU 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. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2014: 6%) in the segment of textile, and an estimated weighted average growth rate of 3% (2014: nil) in the segment of television drama series. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 13% (2014: 12%) in the segment of textile, and a discount rate of 24% (2014: nil) in the segment of television drama series. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

14 Investments in subsidiaries

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

Name of company	*Note*	*Place of Incorporation and operation*	*Particulars of issued and paid up capital*	*Held by the Company*	*Held by a subsidiary*	*Held by Principal activities*
Power Fit Ltd.		The British Virgin Islands	1 share of USD1 each	100%	-	Investment holding
Swift Power Ltd.		The British Virgin Islands	1 share of USD1 each	100%	-	Investment holding
Solid Will Ltd.		The British Virgin Islands	1 share of USD1 each	100%	-	Investment holding
YSL (HK) Ltd.		Hong Kong	1 share of HKD1 each	-	100%	Investment holding
Huiyin (HK) Ltd.		Hong Kong	1 share of HKD1 each	-	100%	Investment holding
Star Rise Investments Ltd.		Hong Kong	1 share of HKD1 each		100%	Investment holding
Zibo Yinshilai Textile Co., Ltd. (淄博銀仕來紡織有限公司)	(i)	The PRC	USD17,400,000	-	100%	Manufacturing and sales of textile products
Zibo Huiyin Textile Co., Ltd. (淄博匯銀紡織有限公司)	(i)	The PRC	USD15,400,000	-	100%	Manufacturing and sales of textile products
Zibo Yinshilai Textile New Material Technology Co., Ltd. (淄博銀仕來紡織新材料科技有限公司)	(i)	The PRC	RMB60,000,000	-	100%	Manufacturing and sales of textile products
Beijing Huasheng Century Media Technology Co., Ltd. (北京華晟世紀傳媒科技有限公司)	(i)	The PRC	USD500,000	-	100%	Investment holding
Beijing Huasheng Taitong Media Investment Co., Ltd. (北京華晟泰通傳媒投資有限公司)	(i) (ii)	The PRC	RMB10,050,000	-	100%	Television drama series production and distribution
Huasheng Taitong (Tianjin) Media Culture Co., Ltd. (華晟泰通（天津）影視文化傳播有限公司)	(i) (ii)	The PRC	RMB5,000,000	-	100%	Television drama series production and distribution

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

(ii) Beijing Huasheng Taitong Media Investment Co., Ltd. and Huasheng Taitong (Tianjing) Media Culture Co., Ltd. are subsidiaries arising from the Contractual Arrangements (see note 2(a) for details).

15 Investments in an associate

The associate is an unlisted corporate entity whose quoted market price is not available and is accounted for using the equity method in the financial statements. The particulars of the associate are listed as follow:

				Proportion of ownership interest			
Name of Associate (note (i))	*Form of business structure*	*Place of incorporation and business*	*Particulars of registered capital* RMB	*Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activities*
Hubei Changjiang Huacheng Television Co., Ltd. (湖北长江华晟影视投资有限公司) (Note (i) and (ii))	Incorporated	The PRC	30,000,000	40%	-	40%	Production and sales of television drama series

Note (i) The English translation of the name is for reference only and the official name of the associate is in Chinese.

Note (ii) The associate operates in the PRC and is a strategic partner for the Group in production and distribution of television drama series, which the associate has an established customer base.

Summarised financial information of the associate, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below.

15 Investments in an associate (continued)

	2015 RMB'000
Gross amounts of the associate	
Current assets	**124,549**
Non-current assets	**300**
Current liabilities	**63,616**
Non-current liabilities	**43,000**
Equity	**18,233**
Included in the above assets and liabilities:	
Cash and cash equivalents	**4,134**
Revenue	**-**
Profit from continuing operations	**88**
Total comprehensive income	**88**
Dividend received from the associate	**-**
Reconciled to the Group's interest in the associate	
Gross amounts of the associate's net assets	**18,233**
Group's effective interest	**40%**
Group's share of the associate's net assets and carrying amount in the consolidated financial statements	**7,293**
Gross amount of the associate's profit and total comprehensive income	**88**
Group's effective interest	**40%**
Group's share of the associate's profit in consolidated statement of profit or loss and other comprehensive income	**35**

16 Investments in equity securities

	2015 **RMB'000**	*2014* RMB'000
Unlisted, at cost	**1,100**	1,000

The investments in unlisted equity securities do not have a quoted market price in an active market. Quoted prices in active market for similar investments or observable market data as significant inputs for valuation techniques are also not available. Therefore, the unlisted equity securities are stated at cost less impairment loss, if any, in the consolidated statements of financial position.

17 Inventories

Inventories in the consolidated statements of financial position comprise:

	2015 **RMB'000**	*2014* RMB'000
Raw materials	**45,853**	40,919
Work in progress	**51,627**	50,909
Finished goods	**49,295**	39,537
Consumables	**1,130**	1,012
	147,905	132,377

18 Television drama series

	2015 **RMB'000**	*2014* RMB'000
Television drama series		
- in production	**39,690**	-
- completed production	**11,000**	-
	50,690	-

19 Trade and other receivables

	Note	2015 RMB'000	2014 RMB'000
Trade debtors and bills receivable		**106,722**	82,893
Less: allowance for doubtful debts	*(b)*	**(7,320)**	(3,755)
	(a) (c)	**99,402**	79,138
Deposits, prepayments and other receivables	*(d)*	**52,846**	83,911
Amount due from an associate		**3,689**	-
		155,937	163,049
Deferred expenses expected to be recognised as expense after more than one year		**(2,215)**	(3,341)
Trade and other receivables expected to be recovered or recognised as expense within one year		**153,722**	159,708

(a) Ageing analysis

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

	2015 RMB'000	2014 RMB'000
Current	**90,105**	76,211
Less than 3 months past due	**185**	-
3 to 6 months past due	**729**	10
6 to 12 months past due	**8,383**	2,917
Amounts past due	**9,297**	2,927
	99,402	79,138

19 Trade and other receivables (continued)

Trade debtors and bills receivables are due within 1 to 6 months from the date of billing. Further details on the Group's credit policy are set out in note 28(a).

(b) Impairment of trade debtors and bills receivables

Impairment losses in respect of trade debtors and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivables directly (see note 1(k)(i)).

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

	2015	*2014*
	RMB'000	RMB'000
At 1 January	**(3,755)**	-
Impairment loss recognised	**(3,565)**	(3,755)
At 31 December	**(7,320)**	(3,755)

As at 31 December 2015, the Group's trade debtors and bill receivables of RMB7,320,000 (2014: RMB3,755,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB7,320,000 (2014: RMB3,755,000) was recognised.

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

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

	2015	*2014*
	RMB'000	RMB'000
Neither past due nor impaired	**90,105**	75,861
Less than 3 months past due	**185**	-
3 to 6 months past due	**729**	10
6 to 12 months past due	**8,383**	27
	99,402	75,898

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

19 Trade and other receivables (continued)

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

(d) Deposits, prepayments and other receivables

	2015	*2014*
	RMB'000	RMB'000
Prepayments relating to purchases of raw materials	**22,429**	39,088
Prepayments relating to purchases of property, plant and equipment	**2,153**	6,184
Prepayments relating to television drama series	**640**	-
Deferred expenses	**2,893**	4,667
Value-added tax recoverable	**16,145**	14,032
Advance to third parties (note)	**3,165**	-
Other receivables	**5,354**	19,940
Other prepayments	**67**	-
	52,846	83,911

Note: The advance to third parties were unsecured, interest-free and had no fixed repayment terms.

20 Pledged bank deposits

Pledged deposits can be analysed as follows:

	2015	*2014*
	RMB'000	RMB'000
Guarantee deposits for issuance of commercial bills and bank acceptance	**11,315**	15,971

21 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2015	*2014*
	RMB'000	RMB'000
Bank deposit	**113,200**	122,215
Cash in hand	**131**	141
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**113,331**	122,356

As at 31 December 2015, the Group's cash and cash equivalents of RMB99,428,000 (2014: RMB110,657,000) are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

21 Cash and cash equivalents (continued)

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

	Note	***2015*** **RMB'000**	*2014* RMB'000
Profit before taxation		**10,039**	8,602
Adjustments for:			
Depreciation	5(c)	**58,304**	66,122
Amortisation	5(c)	**1,320**	1,108
Net impairment losses on trade and other receivables	5(c)	**1,706**	2,255
Interest income	5(a)	**(2,000)**	(1,170)
Share of profit of an associate		**(35)**	-
Investment gains	4	**(2,101)**	(170)
Finance costs	5(a)	**16,289**	19,367
Dividend income from unlisted shares	4	**-**	(240)
Net loss/(gain) on sale of property, plant and equipment	4	**2,427**	(495)
Foreign exchange gain		**(162)**	-
		85,787	95,379
Changes in working capital:			
(Increase)/decrease in inventories		**(15,528)**	30,786
Decrease in television drama series		**4,597**	-
Decrease/(increase) in trade and other receivables		**40,587**	(11,554)
Decrease in trade and other payables		**(923)**	(16,824)
Decrease/(increase) in guarantee deposits for issuance of commercial bills and bank acceptance		**4,656**	(6,145)
Cash generated from operations		**119,176**	91,642

22 Trade and other payables

	Note	***2015***	*2014*
		RMB'000	RMB'000
Trade creditors and bills payable	(a)	**43,349**	48,814
Advances received		**26,463**	11,329
Other creditors and accrued charges	(b)	**114,725**	49,856
		184,537	109,999

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

(a) Ageing analysis

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

	2015	*2014*
	RMB'000	RMB'000
Due within 3 months or on demand	**39,168**	45,397
Due after 3 months but within 6 months	**2,263**	1,954
Due after 6 months but within 12 months	**1,918**	1,463
	43,349	48,814

(b) Other creditors and accrued charges

	2015	*2014*
	RMB'000	RMB'000
Accrued charges	**8,989**	8,813
Tax payable other than income tax	**13,895**	8,323
Payables relating to purchases of property, plant and equipment	**15,750**	25,620
Advance from third parties (note)	**63,732**	2,926
Other payables	**12,359**	4,174
	114,725	49,856

Note: The advance from third parties were unsecured, interest-free and had no fixed repayment terms.

23 Promissory note

Forming part of the consideration to acquire Solid Will Ltd., the Company issued a promissory note of HKD200,000,000 on 24 December 2015. The promissory note is transferable, interest-free, unsecured and redeemable at the face value on or before 23 December 2016.

24 Bank loans

As at 31 December 2015, the bank loans were repayable as follows:

	2015	*2014*
	RMB'000	RMB'000
Within 1 year	**204,500**	258,000
After 1 year but within 2 years	**-**	8,500
	204,500	266,500

As at 31 December 2015, the bank loans were secured as follows:

	Note	*2015*	*2014*
		RMB'000	RMB'000
Bank loans	(a)		
- secured		**60,000**	120,000
- unsecured		**144,500**	146,500
		204,500	266,500

(a) At 31 December 2015, the banking facilities of the Group were secured by machinery and equipment with an aggregate carrying value of RMB13,270,000 (2014: RMB 119,544,000) and were guaranteed by certain wholly-owned subsidiary of the Group. Such banking facilities amounted to RMB140,000,000 (2014: RMB 170,000,000). The facilities were utilised to the extent of RMB60,000,000 (2014: RMB120,000,000). As at 31 December 2015, there is no financial covenant related to the banking facilities.

(b) The details of the Group's interest rate risk and liquidity rate risk are set out in note 28.

25 Obligations under finance leases

As at 31 December 2015, the Group had obligations under finance leases repayable as follows:

	2015		2014	
	Present value of the minimum lease payments **RMB'000**	***Total minimum lease payments*** **RMB'000**	*Present value of the minimum lease payments* RMB'000	*Total minimum lease payments* RMB'000
Within 1 year	**16,942**	**17,723**	18,369	20,652
After 1 year but within 2 years	**3,850**	**3,881**	18,457	19,458
After 2 years but within 5 years	**-**	**-**	4,357	4,409
	3,850	**3,881**	22,814	23,867
	20,792	**21,604**	41,183	44,519
Less: total future interest expenses		**(812)**		(3,336)
Present value of lease obligations		**20,792**		41,183

26 Income tax in the consolidated statements of financial position

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

	2015 **RMB'000**	*2014* RMB'000
At 1 January	**4,570**	4,987
Provision for PRC Enterprise Income Tax and PRC dividend withholding tax for the year	**2,744**	1,972
Increase due to the acquisition of subsidiaries	**5,801**	-
Tax paid	**-**	(2,389)
At 31 December	**13,115**	4,570

(b) Deferred tax asset and liabilities recognised

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

	Tax losses carry forwards RMB'000	*PRC dividend withholding tax* RMB'000	*Total* RMB'000
Deferred tax arising from:			
At 1 January 2014	-	750	750
(Credited)/charged to profit or loss	(1,014)	10	(1,004)
At 31 December 2014	(1,014)	760	(254)
At 1 January 2015	(1,014)	760	(254)
Charged/(credited) to profit or loss	718	(760)	(42)
At 31 December 2015	**(296)**	**-**	**(296)**

(ii) Reconciliation to the statements of financial position

	2015 **RMB'000**	*2014* RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**(296)**	(1,014)
Net deferred tax liability recognised in the consolidated statement of financial position	**-**	760
	(296)	(254)

(c) Deferred tax liabilities not recognised

As at 31 December 2015, temporary difference relating to profit earned by the Company's PRC subsidiaries amounted to RMB220,169,000 (2014: RMB212,124,000) for which no deferred tax liabilities were recognised in respect of the PRC dividend withholding tax at 10% that would be payable on the distribution of these profits to the Group's subsidiaries outside the PRC as the Company has no plan to distribute them in the foreseeable future.

26 Income tax in the consolidated statements of financial position (continued)

Pursuant to the New Tax Law and its implementation rules, distribution of statutory surplus reserve upon liquidation shall be treated as dividend income which is subject to PRC dividend withholding tax at 10% or less if reduced tax treaties or arrangements. As at 31 December 2015, temporary differences relating to the statutory surplus reserve of the Company's PRC subsidiaries amounted to RMB43,550,000 (2014: RMB42,444,000). No deferred tax liabilities were recognised as at 31 December 2015 as the Company has no plan to liquidate these subsidiaries in the foreseeable future.

27 Capital, reserves and dividends

(a) Movements in components of equity

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

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

The Company

	Share capital RMB'000	*Share premium* RMB'000	*Other reserve* RMB'000	*Retained earnings* RMB'000	*Total equity* RMB'000
Balance at 1 January 2014	50,577	74,447	146,736	11,418	283,178
Profit and total comprehensive income for the year	-	-	-	7,902	7,902
Dividends approved in respect of the previous year	-	-	-	(7,600)	(7,600)
Balance at 31 December 2014	50,577	74,447	146,736	11,720	283,480
Balance at 1 January 2015	50,577	74,447	146,736	11,720	283,480
Profit and total comprehensive income for the year	-	-	-	17,622	17,622
Shares insurance	10,208	274,161	-	-	284,369
Dividends approved in respect of the previous year	-	-	-	(7,600)	(7,600)
Balance at 31 December 2015	**60,785**	**348,608**	**146,736**	**21,742**	**577,871**

27 Capital, reserves and dividends (continued)

(b) Dividends

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

	2015	*2014*
	RMB'000	RMB'000
Interim dividend declared and paid of RMB nil per ordinary share (2014: RMB nil)	**-**	-
Final dividend proposed after the end of the reporting period of RMB nil per ordinary share (2014: RMB0.0095)	**-**	7,600
	-	7,600

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.

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

	2015	*2014*
	RMB'000	RMB'000
Final dividends in respect of the previous financial year, approved and paid during the year, of RMB0.0095 per ordinary share (2014: RMB0.0095)	**7,600**	7,600

27 Capital, reserves and dividends (continued)

(d) Share capital

Authorised and issued share capital are as follows:

	2015		2014	
	No. of shares	**RMB'000**	No. of shares	RMB'000
Authorised:				
Ordinary shares of USD0.01 each	**10,000,000,000**	**632,110**	10,000,000,000	632,110
Ordinary shares, issued and fully paid:				
At 1 January	**800,000,000**	**50,577**	800,000,000	50,577
Share issuance (note)	**157,644,656**	**10,208**	-	-
At 31 December	**957,644,656**	**60,785**	800,000,000	50,577

Note: Forming part of the consideration to acquire Solid Will Ltd., the Company allotted and issued 157,644,656 ordinary shares of USD0.01 each on 24 December 2015. The ordinary shares issued were recognised at the fair value at the date of acquisition of approximately HKD2.16 per share (see note 29 for details).

(e) Nature and purpose of reserves

(i) Capital reserve

The capital reserve represents exchange difference arising on capital injections.

(ii) Statutory surplus reserve

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

(iii) Other reserve

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

27 Capital, reserves and dividends (continued)

(f) Distributability of reserves

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

As at 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB370,350,000 (2014: RMB86,167,000). The directors do not recommend the payment of a final dividend (2014:RMB7,600,000) for the year ended 31 December 2015.

(g) Capital management

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

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

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

28 Financial risk management and fair values

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

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

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

28 Financial risk management and fair values (continued)

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. The Group has no concentrations of credit risk in view of its large number customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

28 Financial risk management and fair values (continued)

	2015				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	***More than 1 year but within 2 years***	***More than 2 years within 5 years***	***Total***	***Carrying amount***
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Bank loans	**214,042**	**-**	**-**	**214,042**	**204,500**
Trade creditors, bills payable, other creditors and accrued charges	**158,074**	**-**	**-**	**158,074**	**158,074**
Promissory note	**167,556**	**-**	**-**	**167,556**	**167,556**
Obligations under finance lease	**17,723**	**3,881**	**-**	**21,604**	**20,792**
	557,395	**3,881**	**-**	**561,276**	**550,922**

	2014				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	*More than 1 year but within 2 years*	*More than 2 years within 5 years*	*Total*	*Carrying amount*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	265,488	9,265	-	274,753	266,500
Trade creditors, bills payable, other creditors and accrued charges	98,670	-	-	98,670	98,670
Obligations under finance lease	20,652	19,458	4,409	44,519	41,183
	384,810	28,723	4,409	417,942	406,353

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (being interest-bearing financial liabilities less pledged bank deposits and bank deposits) at the end of the reporting period.

28 Financial risk management and fair values (continued)

	2015		2014	
	Effective interest rate %	**RMB'000**	*Effective interest rate %*	RMB'000
Net fixed rate borrowings:				
Bank loans	**4.35% - 5.10%**	**189,500**	4.60% - 6.60%	200,000
Less: pledged bank deposits	**1.55%**	**(11,315)**	2.80%	(15,971)
		178,185		184,029
Variable rate borrowings:				
Obligations under finance lease	**5.89% - 6.20%**	**20,792**	6.58% - 7.10%	41,183
Bank loans	**4.85%**	**15,000**	6.00%	66,500
Less: bank deposits	**0.30%**	**(113,200)**	0.35%	(122,215)
		(77,408)		(14,532)
Total net interest-bearing borrowings		**100,777**		169,497

(ii) Sensitivity analysis

It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have increase/decrease the Group's profit for the year and retained earnings by approximately RMB290,000 (2014: RMB54,000).

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros, United States dollars, Japanese Yen and Hong Kong dollars.

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of non-PRC companies comprising the Group into the Group's presentation currency are excluded.

28 Financial risk management and fair values (continued)

	Exposure to foreign currencies (expressed in Renminbi)							
	2015				2014			
	Euros **RMB'000**	***USD*** **RMB'000**	***JPY*** **RMB'000**	***HKD*** **RMB'000**	*Euros* RMB'000	*USD* RMB'000	*JPY* RMB'000	*HKD* RMB'000
Trade and other receivables	**-**	**2,000**	**-**	**-**	-	6,042	-	-
Cash and cash equivalents	**-**	**10,259**	**5**	**3,639**	11	9,423	5	2,260
Trade and other payables	**-**	**-**	**-**	**-**	-	(1,249)	-	-
Net exposure arising from recognised assets and liabilities	**-**	**12,259**	**5**	**3,639**	11	14,216	5	2,260

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

	2015		2014	
	Increase/ (decrease) in foreign exchange rates	***Effect on profit for the year and retained earnings*** **RMB'000**	*Increase/ (decrease) in foreign exchange rates*	*Effect on profit for the year and retained earnings* RMB'000
Euros	**10%**	**-**	10%	1
	(10%)	**-**	(10%)	(1)
United States Dollars	**5%**	**460**	5%	533
	(5%)	**(460)**	(5%)	(533)
Japanese Yen	**10%**	**-**	10%	-
	(10%)	**-**	(10%)	-
Hong Kong Dollars	**5%**	**182**	5%	113
	(5%)	**(182)**	(5%)	(113)

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 and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

28 Financial risk management and fair values (continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2014.

(e) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

29 Acquisition of subsidiaries

On 24 December 2015, the Group obtained control of Solid Will Ltd. ("Solid Will"), which is an investment holding company and its subsidiaries are principally engaged in production and distribution of television drama series in the PRC, by acquiring 100% of its interest. Taking control of Solid Will will enable the Group to explore new business opportunity in the media industry in the PRC and diversify income stream of the Group. During the year ended 31 December 2015, Solid Will contributed revenue of RMB7,492,000 and profit of RMB1,281,000 to the Group's results. If the acquisition had occurred on 1 January 2015, management estimates that consolidated revenue would have been RMB692,247,000 and consolidated profit for the year would have been RMB13,701,000. In determining these amounts, management have assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2015.

(a) Consideration transferred

The consideration for the acquisition is HKD540,366,000 (equivalent to RMB 451,465,000), which was satisfied by a promissory note (see note 23 for details) with a face value of HKD200,000,000 and 157,644,656 new shares of the Company, of which the fair value at the date of acquisition was approximately HKD2.16 per share. The fair value of the ordinary shares issued at the date of acquisition was determined by using valuation technique in which all significant input were based on observable market data. No contingent consideration was agreed between the Group and the selling shareholder.

(b) Acquisition-related costs

The Group incurred acquisition-related costs of RMB1,979,000 on legal fees and due diligent costs. These costs have been included in "administrative expenses".

29 Acquisition of subsidiaries (continued)

(c) Identifiable assets acquired and liabilities assumed

	RMB'000
Property, plant and equipment	865
Intangible assets	7,000
Interest in an associate	7,258
Investments in equity securities	100
Television drama series	55,287
Trade and other receivables	41,872
Cash and cash equivalents	2,714
Trade and other payables	(88,726)
Current taxation	(5,801)
Total identifiable net assets acquired	20,569

(d) Measurement of fair value

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

(i) Property, plant and equipment

Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

(ii) Intangible assets

Multi-period excess earnings method: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the intangible assets, by excluding any cash flows related to contributory assets.

(iii) Television drama series

Market comparison technique and cost technique: The fair value is determined based on the estimated selling price, if available, in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the television drama series. In the situation that the selling price is uncertain, the replacement cost would be considered.

29 Acquisition of subsidiaries (continued)

The trade receivables comprise gross contractual amounts due of RMB47,072,000, of which RMB5,200,000 was expected to be uncollectible at the acquisition date.

(e) Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	RMB'000
Consideration transferred	**451,465**
Fair value of identifiable net assets	**(20,569)**
Goodwill	**430,896**

The goodwill is attributable mainly to the skills and the technical talent of the work force of Solid Will and its subsidiaries. None of the goodwill recognised is expected to be deductible for tax purposes.

(f) Analysis of cash flow on acquisition

	RMB'000
Cash consideration	**-**
Cash and cash equivalents acquired	**(2,714)**
Net cash inflow	**(2,714)**

30 Commitments

(a) Capital commitments outstanding at 31 December 2015 and 2014 not provided for in the consolidated financial statements were as follows:

	2015 **RMB'000**	*2014* RMB'000
Contracted for		
- Purchase of property, plant and equipment	**2,744**	4,080
- Acquiring services relating to production of television drama series	**1,000**	-
	3,744	4,080

30 Commitments (continued)

(b) At 31 December 2015 and 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are as follows:

	2015	*2014*
	RMB'000	RMB'000
Within 1 year	**136**	-
After 1 year and within 5 years	**92**	-
	228	-

Significant leasing arrangements in respect of land and buildings classified as being held under finance leases and land held under operating leases are described in note 11.

Apart from these leases, the Group is the lessee in respect of a number of properties held under operating leases. These leases typically run for an initial period of 1 to 3 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increases every 2 or 3 years to reflect market rentals. None of the leases includes contingent rentals.

31 Contingent liabilities

As at 31 December 2015, certain subsidiaries of the Company are defendants of a legal proceeding, in which the plaintiff alleged that part of the equity interests of a subsidiary of the Company had been wrongfully transferred from a company now owned by the plaintiff to the Group. Based on information currently available, the directors do not expect the outcome of the legal proceeding would have a material effect on the Group's consolidated financial statements.

32 Material related party transactions

The Group has entered into the following material related party transactions during the years ended 31 December 2015 and 2014 as follows. Some of these related party transactions constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However these transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

(a) Key management personnel remuneration

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

	2015	*2014*
	RMB'000	RMB'000
Short-term employee benefits	**1,731**	1,792
Post-employment benefits	**28**	33
	1,759	1,825

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

(b) Financing arrangement

As at 31 December 2015 and 2014, the Group had the following balances with related parties:

	2015	*2014*
	RMB'000	RMB'000
Amount due from an associate	**3,689**	-

(i) The outstanding balance with the associate is unsecured, interest free and has no fixed term of repayment. The amount is included in "Trade and other receivables" (note 19)

(ii) No provisions for bad or doubtful debts have been made in respect of this amount.

33 Company-level statement of financial position

	Note	***2015*** **RMB'000**	*2014* RMB'000
Non-current assets			
Investment in subsidiaries	14	**451,465**	-
Current assets			
Other receivables		**292,425**	282,258
Cash and cash equivalents		**2,829**	1,457
		295,254	283,715
Current liabilities			
Other payables		**168,848**	235
Net current assets		**126,406**	283,480
Net assets		**577,871**	283,480
Capital and reserves	27		
Share capital		**60,785**	50,577
Reserves		**517,086**	232,903
Total equity		**577,871**	283,480

34 Non-adjusting events after the reporting period

After the end of the reporting period, the Company entered into a share placing agreement with Guotai Junan. Pursuant to the agreement, the Company has conditionally agreed to place, through Guotai Junan, up to 320,000,000 new shares with a nominal value USD0.01 each at the price of not less than HKD2.50 per share. The shares will, when issued and allotted, rank pari passu among themselves and with all other fully paid shares in issue. The agreement and the allotment and issue of the shares are subject to the shareholders' approval.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 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
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to IFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS1, *Disclosure initiative*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.