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

2016
INTERIM REPORT

銀仕來

SILVERMAN HOLDINGS LIMITED

Contents

SUMMARY

- Revenue was approximately RMB347.2 million, representing an increase of approximately 9.1% as compared to that of RMB318.3 million for the corresponding period of last year.
- Gross profit margin was approximately 18.6% of revenue, representing an increase of approximately 3.1 basis points as compared to that of approximately 15.5% for the corresponding period of last year.
- Gross profit increased by approximately RMB15.4 million, or approximately 31.2% as compared with the corresponding period of last year, to approximately RMB64.7 million for the six months ended 30 June 2016.
- Profit attributable to the equity shareholders of the Company was approximately RMB5.3 million, representing a decrease of approximately 32.4% as compared to that of RMB7.9 million for the corresponding period of last year.

CORPORATE INFORMATION

The Board of Directors

Executive Directors

Mr. LIU Dong *(Chairman)*
Mr. LIU Zongjun *(Chief Executive Officer)*
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, headquarter 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)

Howse Williams Bowers
27/F Alexandra House
18 Chater Road
Central, Hong Kong

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

As the first year for the "13th Five-Year Plan", Year 2016 represents a significant year bridging the past and the future during which the PRC carries forward and develops its previous policies and approaches for reform, further advances and deepens its reform as well as solidifies its achievements of reform. Various measures, including expansion of domestic demand, adjustment of structures and maintenance of growth, were simultaneously implemented during 2016. As 2016 moves pass its midway point, preliminary achievements through the gradual implementation of the aforesaid measures have been revealed. Premised on the stable growth of the overall PRC economy, various business sectors adjust themselves and adapt to the environment, unleashing their vitality and flexibility.

Along with the progress of economic development of the PRC, various indexes of its national economy rose significantly and its level of economic development achieved remarkable accomplishment and advances. With the improvement of living condition of the general public, the focus of public consumption has been changed from basic needs of food and clothing to the pursuit for higher levels of consumption, which is the pursuit for cultural enrichment. As a result, the film, television and media industry has maintained rapid growth in the recent years.

In the first half of 2016, the PRC film market grew rapidly, with its national aggregate box office income reaching approximately RMB24 billion, representing an increase of 22% as compared with the corresponding period of 2015 and such growth is remarkable. The aggregated national cinema admission of the PRC reached 710 million, representing an increase of 31% as compared to the data of 540 million for the corresponding period of last year and such growth is continual and rapid (data from Wind Weekly). After over 10 years of high-speed development, the television drama series market maintained steady growth in overall production, while the genre of television drama series has been diversified and refined so as to satisfy the various aesthetic needs and more subtle taste of the audiences, and thus, a potential for prosperity has revealed itself. In 2016, along with the growing popularity of phenomenal television drama series, the television drama series market saw a remarkable increase in ratings which attracted a new round of investment upsurge. In addition, in the first half of 2016, the popularity of new production and distribution channels of television drama series represented by internet dramas further sprang up. With young and vivacity as main features, internet dramas meet their target audiences' needs precisely. Internet dramas covered not only main topics of traditional television drama series, but also attractive contents such as time traveling, reality contests, workplace matters and suspense. As a result, internet drama became effective complement to traditional television drama series. The capital market also sustained its enthusiasm for the television industry. According to the statistics of Wind, since the beginning of 2016, there were a total of 45 cases of merger and acquisition of film and entertainment listed companies, with the amount of consideration involved reaching RMB60.9 billion, representing a year-on-year increase of 183%, which demonstrates the optimistic view of the capital market towards the television industry (data as of late May).

With the continual and rapid growth of user demand as basis for development and the fully market-oriented industry development approach as backsets, the television industry has attracted and benefited from a huge influx of investment and the environment for industrial development has been constantly optimized and improved. With this backdrop, there is an increasing number of high quality television drama series which won both box office and reputation. The industry has revealed its general potentials to flourish with diversity. Industry progress appeared to be positive going forward and good momentum of development is expected to be maintained in the near future.

In contrast to the continuous growth of the television industry, the textile industry has entered into an adjustment period as a result of the PRC's adjustment measures to its industrial structure. As a traditional industry, the textile and apparel industry faced excess capacity, serious pollution and high production cost issues in the midstream to upstream of the industry chain. In the downstream, there are serious problems of inventory backlog, counterfeit goods and huge competitions among apparel enterprises. There is a pressing need for the industry to adjust and upgrade its structure through reforms, with a series of adjustment measures such as streamlining production capacity, reducing inventory and deleveraging. As a result of the aforesaid factors, there is limited room for general development of the textile industry in the short term.

In respect of foreign trade and exports, as the PRC is the biggest trading nation of textile products, its import and export trade was to a large extent restricted by the global economic development. However, the revival of global economy has slowed down currently and it is difficult to foresee any major improvement in the near term. This will adversely affect the development of import and export trade of the PRC. Meanwhile, under economic globalization, labour cost and production efficiency are key drivers for industrial transfer. Textile industry requires intensive labour while the PRC is gradually losing its huge demographic dividend and its advantage of cheap labour cost. As a result, a trend of synchronous transfer of the textile industry from the PRC to the surrounding countries such as Vietnam, Malaysia and India emerged.

Affected by various unfavourable factors, in the first half of 2016, the aggregate amount of exports of textile and apparel products of the PRC was RMB802.9 billion, a year-on-year increase of only 2.1%. In spite of the recovery from a decrease of 4.9% as compared with the corresponding period in 2015, exports in the textile industry in the PRC is facing great pressure for downturn and generally weak performance of exports remains unchanged due to the present challenging and complicated environment for foreign trades.

BUSINESS REVIEW

For the six months ended 30 June 2016 (the "**Period Under Review**"), Silverman Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") has established the transformation of and adjustment to its overall business strategy and business segments, and fully implemented the development plans and arrangements for its transformations during the period. Currently, the core businesses of the Group have been integrated into two major segments, which are the business of production of television and the business of traditional textile. Generally speaking, the two major business segments of the Group displayed diverged performances in the first half of 2016. As influenced by the continuous downturn of the textile industry, the Group's traditional textile business remained weak while the television drama series segment showed great potential and momentum.

During the Period Under Review, the Group's profit before taxation was approximately RMB6.5 million, decreasing by approximately 35.1% as compared to the corresponding period of last year, which was mainly attributable to the loss from the textile segment for the first half year. The television drama series segment contributed profit before taxation of approximately RMB12.9 million to the Group while the textile business segment witnessed RMB4.1 million of loss before taxation. The Group continued to integrate the television business over the past half year. During such period, the television business has surpassed the textile business in terms of profit, which fully demonstrated that the Group had made a correct strategic decision to enter into the television industry and its sound management of the television business.

1. Television business

Since the Group's acquisition of Solid Will Limited and its subsidiaries in late 2015, the television business has been developing smoothly with good progress in production works as well as shooting plans. As of 30 June 2016, the major achievements of the television drama series segment are as follows:

Anti-Japanese war epic drama, "The Great Eastern Battlefield" (《東方戰場》) started to be broadcasted simultaneously on Jiangsu Satellite TV channel, Hubei Satellite TV channel and Tencent Video on 23 June 2016. "The Great Eastern Battlefield" is the first epic drama in the PRC produced by our Group which offers a panoramic perspective of the Anti-Japanese War of the Chinese people. The series has won numerous awards, including "1st Script-Writing Award" ("首屆劇本創作獎") and "First-Class Award for Excellent Play and Script Writing Support Project" ("優秀劇目暨劇本扶持項目一類大獎"). The television drama series had recorded extraordinary ratings and attracted favorable feedbacks since being broadcasted on Jiangsu Satellite TV channel, Hubei Satellite TV channel and Tencent Video and major related media in China.

Historical drama, "Qiao's Grand Courtyard 2" has been completed in late June 2016. The television drama series, which has entered into post-production stage, started shooting on 6 March 2016 and the shooting has now been completed after over three months of intense endeavour.

We have obtained the distribution license for "Adoption" ("領養"), an urban emotional drama and "The Last Gateway Of The Nation" ("最後的國門") a historical drama, with the distribution work being carried out at the same time. And the two dramas are expected to be broadcasted in the second half of the year.

2. Textile business

Faced with the negative factors of export contraction due to the slowdown of global economy, increased competition from emerging textile markets in South East Asia, the adjustment to industrial and economic structure and the shift of industrial center in the PRC and, although the Group's textile business has been built on its own characteristics and the Group has made its best endeavors to explore technological and innovative advantage and further differentiate positioning of the Group's products, in order to increase the added value and sales volume of the Group's products, the product prices have dropped due to the overall downturn of the textile industry while gross profit margin was continuously declining, which pushed the Group's textile business into loss making position.

In May 2016, the program of the "Research and Industrialization of Critical Technology of Pleated Fabric Machine Weaving Whole Formation" jointly undertaken by the Group, China Cotton Textile Association and Donghua University has passed professional inspection and the technology has reached an international leading level, which shows that the Group has reached a new level in terms of product development.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of revenue, gross profit and gross profit margin of the Group's textile business and television business for the six months ended 30 June 2016 and 2015:

	For the six months ended 30 June					
	2016			2015		
	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Textile business	316,289	42,024	13.3%	318,271	49,290	15.5%
Television business	30,901	22,665	73.3%	—	—	—
Total	347,190	64,689	18.6%	318,271	49,290	15.5%

For the six months ended 30 June 2016, the gross profit margin of the Group increased, from approximately 15.5% to approximately 18.6% when compared to that of the corresponding period of last year, a year-on-year increase of approximately 3.1 basis points. The increase in overall gross profit margins was mainly due to the relatively higher gross profit margin of the whole industry of the television business.

Distribution costs

For the six months ended 30 June 2016, distribution costs of the Group increased by approximately RMB0.4 million to approximately RMB7.2 million from approximately RMB6.8 million of the corresponding period of last year. Such increase was mainly due to an increase in distribution costs corresponding to the television business newly acquired at the end of last year. Distribution cost for the textile business was basically the same as the corresponding period of last year.

Administrative expenses

For the six months ended 30 June 2016, the administrative expenses of the Group were approximately RMB42.8 million, representing an increase of approximately 47.1% when compared to that of approximately RMB29.1 million of the corresponding period of last year. The increase was mainly due to the Group's acquisitions of the television drama series segment at the end of 2015, which led to an increase in administrative expenses correspondingly, and an increase in staff costs of the textile segment.

Net finance costs

During the Period Under Review, the Group recorded a net finance costs of approximately RMB8.3 million. For the six months ended 30 June 2016, the finance costs of the Group were approximately RMB9.0 million, representing a decrease of approximately RMB0.7 million as compared to that of approximately RMB9.7 million of the corresponding period in 2015. Such decrease was mainly due to the decrease in the interest expenses resulted from the decrease in financial lease. The finance income of the Group was approximately RMB0.7 million, representing a decrease of approximately RMB0.6 million when compared to that of approximately RMB1.3 million of the corresponding period of last year, which was mainly due to the decrease in the Group's interest income in 2016.

Taxation

Taxation of the Group decreased from approximately RMB2.1 million in the first half of 2015 to approximately RMB1.2 million during the Period Under Review. This was mainly due to the decrease in taxable profit of the textile business and the relatively low tax payable by the television drama series segment under the corporate income tax preferential policies of the state during the Period Under Review.

Profit attributable to the equity shareholders of the Company

For the six months ended 30 June 2016, the profit attributable to the equity shareholders of the Company was approximately RMB5.3 million, representing a decrease of approximately 32.4%, from RMB7.9 million as compared to that of the corresponding period in 2015. Profit for the period decreased as compared to the corresponding period of last year. Despite the profit before taxation of approximately RMB12.9 million contributed by the television drama series segment to the Group during the period, the Group's profit for the period decreased as compared to the corresponding period of last year due to the recession of the textile industry which led to a decrease in unit selling price and income, and in turn resulting in a loss of approximately RMB4.1 million in the textile segment.

Liquidity and financial resources

As at 30 June 2016, cash and cash equivalents of the Group were approximately RMB121.7 million, representing an increase of approximately 7.4% from approximately RMB113.3 million as at 31 December 2015. This was mainly due to the fund raised from share placing during the period.

As at 30 June 2016, cash and cash equivalents were mainly held in Renminbi, US dollars and HK dollars, of which, approximately RMB94.7 million (31 December 2015: approximately RMB99.4 million) or approximately 77.8% (31 December 2015: 87.7%) of the cash and cash equivalents were held in Renminbi.

For the six months ended 30 June 2016, the Group's net cash generated from operating activities was approximately RMB11.5 million, net cash used in investing activities was approximately RMB33.1 million and net cash generated from financing activities was approximately RMB29.5 million. Cash and cash equivalents of the Group increased by approximately RMB8.4 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 its business need.

With respect to the payment terms of purchase or processing orders made by customers with long established business relationship, good settlement record and sound reputation, the Group may waive the deposit or grant a credit period typically ranging from 30 to 180 days. The length of credit period depends on various factors such as financial strength, scale of the business and settlement record of those customers. For the six months ended 30 June 2016, the average trade receivables (including bills receivable) turnover period of the Group was approximately 58 days, up from 38 days for the corresponding period in the previous year. The increase was mainly due to the longer payback period in average of the television business.

For the six months ended 30 June 2016, inventory turnover period of the Group was 91 days, which was the same as compared to the corresponding period in the previous year.

As at 30 June 2016, the Group's loans (including obligations under financial lease) was approximately RMB247.3 million (31 December 2015: approximately RMB189.5 million) bore fixed interest at rates ranging from 4.4% to 5.1% per annum (31 December 2015: 4.4% to 5.1% per annum). As at 30 June 2016, the Group did not have any loans with floating interest (31 December 2015: approximately RMB35.8 million, which bore floating interest at rates ranging from 4.9% to 6.2% per annum).

Capital structure

The Group continues to maintain an appropriate mix of equity and debt to ensure an optimal capital structure to reduce capital cost. As at 30 June 2016, the debts of the Group were mainly represented by bank loans and obligations under finance lease with a total amount of approximately RMB247.3 million (31 December 2015: approximately RMB392.8 million including promissory note). As at 30 June 2016, cash and cash equivalents were approximately RMB121.7 million (31 December 2015: approximately RMB113.3 million). As at 30 June 2016, the Group's gearing ratio was 11.7% (31 December 2015: gearing ratio was approximately 31.6%). The gearing ratio was calculated by dividing total debt (i.e. promissory note, interest-bearing bank loans, other borrowings and obligations under finance lease, after deducting cash and cash equivalents) by total equity.

As at 30 June 2016, the Group's debts due within a year were approximately RMB247.3 million.

Capital commitments

Save as disclosed in note 14 to the unaudited interim financial report, the Group did not have any other significant capital commitments as at 30 June 2016 (31 December 2015: Nil).

Employee and remuneration policy

As at 30 June 2016, the Group had a total of approximately 2,595 employees (31 December 2015: 2,677; 30 June 2015: 2,799), the decrease in the number of staffs as compared to that of the corresponding period in the previous year was mainly because of the Group's increase in efficiency by downsizing staffs according to the Company's operating conditions.

For the six months ended 30 June 2016, staff costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB55.9 million (for the corresponding period of 2015: approximately RMB56.3 million). The decrease in staff costs was mainly due to the Company's increase in efficiency by downsizing staffs and the drop in wages of management staff according to operating conditions.

The Group continues to provide training to staffs to improve their operation skill. Meanwhile, the Group enhanced the work efficiency and the average income of the staff through position consolidation, process reorganization and improvement of working and living environment of the staff. The remuneration of the employees of the Group was determined with reference to their working performance, experience and the industry practices. The management of the Group will also periodically review the remuneration policy and details. In addition, the Group provides bonuses and incentives based on their performances to encourage and motivate its staff to strive for better performance. During the year of 2016, the Group will continue to provide training to staff according to their respective skill requirements, such as training sessions on safety and skill.

Exposure to foreign exchange risk

The Group has adopted a prudent policy in managing its exchange rate risk. 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.

Contingent liabilities

Save as disclosed in note 15 to the unaudited interim financial report, as at 30 June 2016, the Group did not have other contingent liabilities (31 December 2015: Nil).

Charges on assets

Except for the pledged bank deposits disclosed in the consolidated statement of financial position, the Group pledged its machinery and equipment with net book value of approximately RMB32.1 million (31 December 2015: approximately RMB13.3 million) as securities for bank borrowings as at 30 June 2016. In addition, the net book value of the Group's machinery and equipment held under finance lease was approximately RMB37.8 million as at 30 June 2016 (31 December 2015: approximately RMB40.1 million).

Significant investments

Save as the investment in an associate and investments in equity securities as presented in the unaudited consolidated statement of financial position as at 30 June 2016, the Group did not hold any significant investments in equity interest in any other company as at 30 June 2016.

Future plans for material investments and capital assets

During the Period Under Review, the Group did not have any plans for future material investments and capital assets.

Material acquisitions and disposals of subsidiaries and associated companies

During the Period Under Review, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

FUTURE OUTLOOK

As the first year for the "13th Five-Year Plan", Year 2016 represents a significant year bridging the past and future during which the PRC carries forward and develops its previous policies and approaches for reform, further advances and deepens its reform as well as solidifies its achievements of reform. Various measures, including expansion of domestic demand, adjustment of structures and maintenance of growth, were simultaneously implemented during 2016. As 2016 moves pass its midway point, preliminary achievements through the gradual implementation of the aforesaid measures have been revealed. Premised on the stable growth of the overall PRC economy, various business sectors adjust themselves and adapt to the environment, unleashing their vitality and flexibility.

Nonetheless, from a mid-term perspective, expansion of domestic demand and adjustment of structure remain challenging and complex tasks for the PRC where a considerable transitional period is ahead. For the international market, all developed countries except for the United States have not shown any glimpse of economic recovery. The substantial fluctuation of cotton price since the beginning of the second half of the year also increases the operating risk for textile enterprises in near term. In view of the above and the prevailing macro-economic, industrial and corporate conditions, the Group determines that the upcoming development strategy is to continue the sustainable development of the Group's textile business and focus on the development in the television industry.

1. Television business

With respect to the "13th Five-Year Plan", the Fifth Plenary Session of the Eighteen CPC Central Committee has clearly suggested that the cultural industry is set to become the pillar of national economy by 2020. Generally speaking, an industry is called a pillar industry only when its added value reaches 5% of GDP, and the added value realized by the PRC cultural industry was only RMB2.6 trillion in 2015, accounting for only 3.8% of GDP, which implies that the added value of the PRC cultural industry would exceed RMB5.5 trillion by 2020. It is apparent that the cultural industry would embrace a bright prospect and great potential.

Under such backdrop and given the growth of the Group's profit in the first half of 2016 as contributed significantly by the television sector, the Group will further increase its investment in the television drama series segment. The Group continues to capitalize on both its own outstanding production team and industry resources to produce premium television drama series. At the same time, leveraging on its solid competitive edges in terms of contents, branding, management and resources integration capabilities, the Group proactively extends its industry chain and value chain, and aims at ultimately becoming the top and outstanding television drama series company in the PRC.

On 7 June 2016, the Group allotted and issued 88,105,000 new shares of USD0.01 each at a placing price of HKD2.50 per share, and raised net proceeds of approximately HKD213.7 million. After deducting the repayment of the promissory note for the acquisition of Solid Will Limited and its subsidiaries, the remaining proceeds will all be utilized for the production of television drama series. For the details of the placing, please refer to the announcements of the Company dated 4 February 2016, 27 April 2016, 31 May 2016, 7 June 2016 and the circular of the Company dated 11 April 2016.

Television drama series schedule in 2016 under the media segment:

No.	Title	Theme	Current Status
1	Qiao's Grand Courtyard 2 (喬家大院 2)	Historic story drama	Shooting completed and post-production in progress
2	March in River City (江城三月)	Modern city drama	Shooting to be started on 28 August
3	Wudang Yijian (武當一劍)	Kung fu drama	Under preparation
4	Ma Beier (馬背兒)	Republic period drama	Under preparation
5	The New Big Head Son and The Little Head Father (新大頭兒子小頭爸爸)	Situational comedy	Under preparation

The Shenzhen-Hong Kong stock connect is announced to be opened in the latter half of 2016, which will help the investors share the fruits of the economic developments from the mainland and Hong Kong, with the aforesaid capital markets being concerned in the future. The Group expects that the opening of the Shenzhen-Hong Kong stock connect will attract attentions to the Hong Kong capital market from the mainland investors who are familiar with the television and media industry. In this background, it would help the Group explore the business cooperation and the mergers and acquisitions opportunities among the television and media industry, playing an active role in the Company's transformation.

2. Textile business

Though the Company's textile segment recorded a lower than expected performance amidst the downturn in global economy and the industry in recent years, the Group will still use its best endeavor to further unveil the intrinsic value of such conventional business. Specific measures include enhanced and detailed management, reduction of operating costs, strengthening of the co-operation with domestic and foreign academic institutions and research and development organizations and continuous improvement of the Group's products innovation. Such approaches are purported to increase revenue and cut cost in a bid to alleviate and absorb the adverse impacts brought by the downturn of the industry on the Group's operation to the maximum extent.

The above forecast does not represent the Company's commitment to its operating results for the second half of 2016 and is subject to uncertainties, and the realization of which are subject to various factors, such as market conditions and relevant policies. Investors are reminded to be aware of investment risks.

SUPPLEMENTARY INFORMATION

USE OF PROCEEDS

As stated in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 29 June 2012 (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. As at 30 June 2016, all the Net IPO Proceeds has been fully utilised.

References are made to the circular of the Company dated 11 April 2016 in relation to, among other matters, the placing of new shares under specific mandate (the "**Placing**") and the announcement of the Company dated 7 June 2016 in relation to the completion of the Placing, the Company has placed an aggregate of 88,105,000 placing shares to not less than six placees at the placing price of HKD2.50 per placing share. The gross proceeds and net proceeds of the Placing are approximately HKD220.3 million and HKD213.7 million. The net proceeds from the Placing were intended to be applied as follows: (i) HKD200 million to redeem the promissory notes issued as part of the consideration for the acquisition of Solid Will Limited and its subsidiaries; and (ii) approximately HKD13.7 million to be used as general working capital.

As at June 2016, the Company has redeemed the promissory notes issued as part of the consideration for the acquisition of Solid Will Limited and its subsidiaries with HKD200 million and applied approximately HKD13.7 million as general working capital.

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

For the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the directors of the Company (the "**Directors**") and chief executive 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)	26.16%
	Excel Orient Limited	Beneficial owner	1 share (L)	100%

Notes:

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

2. *The shares are held by Excel Orient Limited which is a company incorporated in the British Virgin Islands ("**BVI**") and the entire issued capital of which is beneficially owned by Mr. LIU Dong, one of the executive Directors of the Company.*

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executive 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 30 June 2016, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive 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)	26.16%
Ms. WANG Lingli *(Note 3)*	The Company	Family interest	273,609,836 shares (L)	26.16%
Aim Right Ventures Limited *(Note 4)*	The Company	Beneficial owner	164,022,656 shares (L)	15.68%
Mr. LIU Zhihua *(Note 5)*	The Company	Interest of a controlled corporation	164,022,656 shares (L)	15.68%
Ms. ZOU Guoling *(Note 6)*	The Company	Family interest	164,022,656 shares (L)	15.68%

Notes:

1. *The letter "L" denotes the long position of the persons/entities (other than the Directors or chief executive of the Company) in the shares of the 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, one of the executive Directors of the Company. Therefore, Mr. LIU Dong is also deemed to be interested in the shares held 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 of the Company 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 is also deemed to have the interest owned by Aim Right Ventures Limited.*

5. *These shares of the Company 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 of the Company which Mr. LIU Zhihua is interested in for the purpose of the SFO.*

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any other persons/entities (other than the Directors and chief executive 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.

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.

During the Period Under Review, 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 slightly deviating from compliance with Code Provisions A.1.8 during the period starting from 1 January 2016 to 11 January 2016 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. During the period starting from 1 January 2016 to 11 January 2016, the Company was in the course of arranging such insurance coverage for the Directors. Since 12 January 2016, the Company has arranged appropriate insurance cover in respect of legal action against its directors and senior officers. Consequently, the Company has complied with Code Provisions A.1.8 since 12 January 2016.

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 from 1 September 2013).

With an aim to achieve diversity on the Board of the Company, 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 for the role. 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 TRANSACTIONS 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 with all the Directors, all the Directors have compiled with the required standards of dealing as set out in the Model Code during the Period Under Review.

AUDIT COMMITTEE

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters (including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2016).

INTERIM DIVIDEND

The Board does not propose an interim dividend for the six months ended 30 June 2016 (30 June 2015: Nil).

SHARE OPTION SCHEME

The Company's existing share option scheme (the "**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 approves from time to time.

Subject to the terms of the Share Option Scheme, the Board may, at its 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 dated 29 June 2012. 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 (the "**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 10% of the shares in issue of the Company as at the date of the listing of the shares of the Company on the Stock Exchange.

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 six months ended 30 June 2016, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme. The Company has no outstanding options as at 1 January 2016 and 30 June 2016.

Apart from the Share Option Scheme, at no time during the Period Under Review 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.

EVENTS AFTER THE REPORTING PERIOD

No significant event took place during the period subsequent to 30 June 2016 and up to the date of this report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2016 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000
Revenue	3	**347,190**	318,271
Cost of sales and services		**(282,501)**	(268,981)
Gross profit		**64,689**	49,290
Other net income	4	**1,347**	4,962
Distribution costs		**(7,199)**	(6,764)
Administrative expenses		**(42,804)**	(29,101)
Profit from operations		**16,033**	18,387
Finance income	5(a)	**687**	1,296
Finance costs	5(a)	**(9,029)**	(9,732)
Share of loss of an associate		**(1,234)**	—
Profit before taxation		**6,457**	9,951
Income tax	6	**(1,152)**	(2,098)
Profit for the period		**5,305**	7,853
Earnings per share (RMB)	7		
Basic and diluted		**0.0055**	0.0098

The accompanying notes form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 13.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2016 — unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit for the period	**5,305**	7,853
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**399**	—
Other comprehensive income for the period	**399**	—
Total comprehensive income attributable to equity shareholders of the Company	**5,704**	7,853

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment	8	477,255	488,066
Interests in leasehold land held for own use under operating leases	8	62,972	55,843
		540,227	543,909
Intangible assets		5,241	6,974
Goodwill		437,290	437,290
Investment in an associate		6,059	7,293
Investments in equity securities		1,100	1,100
Other receivables	9	4,150	2,215
Deferred tax assets		—	296
		994,067	999,077
Current assets			
Inventories		129,209	147,905
Television drama series		84,536	50,690
Trade and other receivables	9	211,259	153,722
Pledged bank deposits	10	17,201	11,315
Cash and cash equivalents	11	121,719	113,331
		563,924	476,963
Current liabilities			
Trade and other payables	12	225,101	184,537
Promissory note		—	167,556
Bank loans and other borrowings		235,000	204,500
Obligations under finance leases		12,300	16,942
Current taxation		13,896	13,115
		486,297	586,650
Net current assets/(liabilities)		77,627	(109,687)
Total assets less current liabilities		1,071,694	889,390

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016 — unaudited (continued)

(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current liabilities			
Obligations under finance leases		—	3,850
Net assets		**1,071,694**	885,540
Equity			
Share capital	*13(b)*	**66,559**	60,785
Reserves		**1,005,135**	824,755
Total equity		**1,071,694**	885,540

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2016 — unaudited

(Expressed in Renminbi)

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserves RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2015		50,577	74,447	(909)	—	56,493	119,359	301,467	601,434
Change in equity for the six months ended 30 June 2015:									
Profit for the period		—	—	—	—	—	—	7,853	7,853
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	—	7,853	7,853
Dividends approved in respect of the previous year	*13(a)*	—	—	—	—	—	—	(7,600)	(7,600)
Balance at 30 June 2015		50,577	74,447	(909)	—	56,493	119,359	301,720	601,687
Balance at 1 January 2016		**60,785**	**348,608**	**(909)**	**—**	**57,599**	**119,359**	**300,098**	**885,540**
Change in equity for the six months ended 30 June 2016:									
Profit for the period		**—**	**—**	**—**	**—**	**—**	**—**	**5,305**	**5,305**
Other comprehensive income		**—**	**—**	**—**	**399**	**—**	**—**	**—**	**399**
Total comprehensive income		**—**	**—**	**—**	**399**	**—**	**—**	**5,305**	**5,704**
Shares issuance	*13(b)*	**5,774**	**174,676**	**—**	**—**	**—**	**—**	**—**	**180,450**
Balance at 30 June 2016		**66,559**	**523,284**	**(909)**	**399**	**57,599**	**119,359**	**305,403**	**1,071,694**

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2016 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000
Operating activities			
Cash generated from operations		**11,530**	90,135
Tax paid		**(75)**	—
Net cash generated from operating activities		**11,455**	90,135
Investing activities			
Payment for the purchase of property, plant and equipment		**(32,536)**	(16,010)
Other cash flows arising from investing activities		**(604)**	(91,465)
Net cash used in investing activities		**(33,140)**	(107,475)
Financing activities			
Proceeds from share issuance		**180,450**	—
Repayment of promissory note		**(168,916)**	—
Other cash flows arising from financing activities		**17,969**	28,079
Net cash generated from financing activities		**29,503**	28,079
Net increase cash and cash equivalents		**7,818**	10,739
Cash and cash equivalents at 1 January	*11*	**113,331**	122,356
Effect of foreign exchange rates changes		**570**	—
Cash and cash equivalents at 30 June	*11*	**121,719**	133,095

The accompanying notes form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 22 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

2 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. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to IFRSs 2012–2014 Cycle*
- Amendments to IAS1, *Presentation of financial statements: Disclosure initiative*

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

Annual Improvements to IFRSs 2012–2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

3 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both 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 two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Textile		Television drama series		Total	
For the six months ended 30 June	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Revenue from external customers	**316,289**	318,271	**30,901**	—	**347,190**	318,271
Inter-segment revenue	**—**	—	**—**	—	**—**	—
Reportable segment revenue	**316,289**	318,271	**30,901**	—	**347,190**	318,271
Reportable segment profit or loss (adjusted EBT)	**(4,072)**	10,559	**12,896**	—	**8,824**	10,559
As at 30 June/31 December						
Reportable segment assets	**951,221**	944,260	**581,551**	528,951	**1,532,772**	1,473,211
Reportable segment liabilities	**345,489**	493,447	**137,630**	96,850	**483,119**	590,297

The measure used for reporting segment profit or loss 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.

3 SEGMENT REPORTING (Continued)

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Profit		
Total reportable segment profit	8,824	10,559
Elimination of inter-segment profits	—	—
Reportable segment profit derived from the Group's external customers	8,824	10,559
Unallocated head office and corporate expenses (net)	(2,367)	(608)
Consolidated profit before taxation	6,457	9,951

4 OTHER NET INCOME

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Net gain on sale of raw materials and scrap materials	2,793	203
Net loss on disposal of property, plant and equipment	(2,384)	—
Net gain from short-term investments and derivative financial instruments	478	1,958
Government grants	454	2,826
Others	6	(25)
	1,347	4,962

5 PROFIT BEFORE TAXATION

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

(a) Finance income and finance costs

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Finance income		
Interest income on bank deposits	**(322)**	(892)
Foreign exchange gain arising on settlement or translation of foreign currency monetary items	**(365)**	(404)
	(687)	(1,296)
Finance costs		
Interest on borrowings	**6,163**	7,260
Less: interest capitalised into property, plant and equipment*	**(196)**	(392)
Interest expenses	**5,967**	6,868
Finance charges on obligations under finance leases	**546**	1,539
Foreign exchange loss	**1,690**	991
Other finance charges	**826**	334
	9,029	9,732

* *The borrowing costs have been capitalized at a rate of 4.61% per annum for the six months ended 30 June 2016 (six months ended 30 June 2015: 5.43%).*

(b) Other items

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Amortisation		
— leasehold land	**649**	550
— intangible assets	**1,768**	16
Depreciation	**28,837**	30,681
Operating lease charges: minimum leases payments	**1,990**	—
Impairment loss on trade receivables	**400**	1,700
Reversal of impairment loss on other receivables	**(340)**	(2,110)

6 INCOME TAX

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current tax	**856**	2,126
Deferred tax	**296**	(28)
	1,152	2,098

(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 six months ended 30 June 2016 and 2015, 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 six months ended 30 June 2016, the Group's PRC subsidiaries are subject to income tax rate of 25% (2015: 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.

(v) Pursuant to the Corporate Income Tax preferential policies in Horgos of Xinjiang province, Horgos Xinghong Culture Media Co., Ltd., a subsidiary of the Company located in Horgos of Xinjiang province and is principally engaged in the production and distribution of television drama series, is entitled to a tax holiday of 5-year full exemption on Corporate Income Tax commencing from the first revenue-generating year. The first exemption year is 2016.

7 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30 June 2016 is based on the profit attributable to equity shareholders of the Company of RMB5,305,000 (for the period ended 30 June 2015: RMB7,853,000) and the weighted average of 968,778,804 shares (six months ended 30 June 2015: 800,000,000 shares), in issue during the interim period.

There was no difference between basic and diluted earnings per share as there were no dilutive potential shares outstanding for the six months ended 30 June 2016 and 2015 respectively.

8 PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a cost of RMB20,642,000 (six months ended 30 June 2015: RMB8,661,000) and interests in leasehold land under operating leases with a cost of RMB7,778,000 (six months ended 30 June 2015: RMB100,000). Items of machinery with a net book value of RMB2,616,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB nil), resulting in a loss on disposal of RMB2,384,000 (six months ended 30 June 2015: RMB nil).

9 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Current	**105,888**	90,105
Less than 3 months past due	**5,366**	185
3 to 6 months past due	**250**	729
6 to 12 months past due	**—**	8,383
Over 1 years past due	**6,800**	—
Trade debtors and bills receivable, net of allowance for doubtful debts	**118,304**	99,402
Prepayments relating to purchases of raw materials	**32,162**	22,429
Prepayments relating to purchases of property, plant and equipment	**1,033**	2,153
Prepayments relating to television drama series	**470**	640
Advance to third parties	**30,393**	3,165
Amount due from an associate	**10,718**	3,689
Deferred expenses	**1,324**	2,893
Value-added tax recoverable	**9,671**	16,145
Others	**11,334**	5,421
	215,409	155,937
Other receivables expected to be recovered or recognised as expense after more than one year	**(4,150)**	(2,215)
Trade and other receivables expected to be recovered or recognised as expense within one year	**211,259**	153,722

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

10 PLEDGED BANK DEPOSITS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Guarantee deposits for issuance of commercial bills and bank acceptance	**15,851**	11,315
Guarantee deposits for bank loans	**1,350**	—
	17,201	11,315

11 CASH AND CASH EQUIVALENTS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Bank deposits	**121,637**	113,200
Cash in hand	**82**	131
	121,719	113,331

12 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Due within 3 months or on demand	**42,930**	39,168
Due after 3 months but within 6 months	**7,280**	2,263
Due after 6 months but within 12 months	**9,585**	1,918
Trade creditors and bills payable	**59,795**	43,349
Receipts in advance	**42,450**	26,463
Accrued charges	**12,266**	8,989
Taxes payable other than income tax	**13,087**	13,895
Payables relating to purchases of property, plant and equipment	**10,545**	15,750
Advance from third parties	**63,732**	63,732
Amount due to an associate	**1,710**	—
Others	**21,516**	12,359
	225,101	184,537

13 CAPITAL AND DIVIDENDS

(a) Dividend

(i) Dividend payable to equity shareholders attributable to the interim period

	2016 RMB'000	2015 RMB'000
Interim dividend declared after the interim period of RMB nil per share (2015: RMB nil)	–	–

(ii) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB nil per ordinary share (six months ended 30 Jun 2015: RMB0.0095)	–	7,600

(b) Share capital

	At 30 June 2016		At 31 December 2015	
	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	957,644,656	60,785	800,000,000	50,577
Share issuance *(note)*	88,105,000	5,774	157,644,656	10,208
At 30 June and 31 December	1,045,749,656	66,559	957,644,656	60,785

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

14 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2016 and 31 December 2015 not provided for in the interim financial report were as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Contracted for		
— Purchase of property, plant and equipment	**4,558**	2,744
— Acquiring services relating to production of television drama series	**4,910**	1,000
	9,468	3,744

(b) At 30 June 2016 and 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year	**2,153**	136
After 1 year and within 5 years	**—**	92
	2,153	228

15 CONTINGENT LIABILITIES

As at 30 June 2016, 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 interim financial report.

16 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Short-term employee benefits	**2,406**	845
Post-employment benefits	**70**	18
	2,476	863

(b) Transactions with related parties

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Sale of services	**7,841**	—

(c) Balances with related parties

As at 30 June 2016 and 31 December 2015, the Group had the following balances with related parties:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Amount due from an associate	**10,718**	3,689
Amount due to an associate	**(1,710)**	—

(i) The outstanding balances with the associate are unsecured, interest free and has no fixed term of repayment.

(ii) No provisions for bad or doubtful debts have been made in respect of the amount due from an associate.

By order of the Board
Silverman Holdings Limited
LIU Dong
Chairman

Shandong, the PRC
22 August 2016