SHAW BROTHERS HOLDINGS LIMITED
邵氏兄弟控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00953)

Annual Report 2016

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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Ruigang

EXECUTIVE DIRECTORS

Mr. Ding Siqiang
Ms. Ding Xueleng
Mr. Jiang Wei
Miss Lok Yee Ling Virginia

NON-EXECUTIVE DIRECTOR

Mr. Hui To Thomas

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pang Hong
Mr. Poon Kwok Hing Albert
Miss Szeto Wai Ling Virginia

ALTERNATE DIRECTOR

Mr. Gu Jiong (Alternate Director to Mr. Hui To Thomas)

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Poon Kwok Hing Albert (Committee Chairman)
Mr. Pang Hong
Miss Szeto Wai Ling Virginia

NOMINATION COMMITTEE

Mr. Pang Hong (Committee Chairman)
Mr. Poon Kwok Hing Albert
Miss Szeto Wai Ling Virginia

REMUNERATION COMMITTEE

Miss Szeto Wai Ling Virginia (Committee Chairman)
Mr. Pang Hong
Mr. Poon Kwok Hing Albert

COMPANY SECRETARY

Miss Chan Yin Yi Annie

AUTHORISED REPRESENTATIVE

Mr. Gu Jiong
Miss Chan Yin Yi Annie

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F., Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

Meike Industrial Park
Xibian Village, Chendai Town
Jinjiang City, Fujian Province
The People's Republic of China

STOCK CODE

00953

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Sheddon Road, George Tower
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

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

AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISER TO CAYMAN ISLANDS

Conyers Dill & Pearman, Cayman

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
DBS Bank (Hong Kong) Limited

WEBSITE

www.shawbrotherspictures.com

Dear Shareholders,

In 2016, Shaw Brothers Holdings Limited (the "Company", together with its subsidiaries, the "Group") took various key strategic and operational initiatives, which have marked special significance in the development history of the Group. Grabbing hold of the rising industrial trend of sports and entertainment businesses, the Group has further expanded its footprint in the entertainment market in the People's Republic of China (the "PRC") through producing and investing in quality movies, drama and non-drama, as well as conducting artiste and event management business.

BUSINESS REVIEW

The entertainment industry in the PRC has been booming in recent years. Despite a slowdown of growth in total box office revenue in the PRC in 2016, it's still a sizable market which generated around RMB45.7 billion box office revenue in 2016, representing one of the largest movie markets in the world. Inspired by the prospering entertainment industry in the PRC, the Group has grabbed hold of the trend and continued refinement of its business strategy and optimisation of its resources allocation for healthy growth and sustainable development of sports and entertainment businesses.

The Company was officially renamed to "Shaw Brothers Holdings Limited" and adopted a new Chinese name "邵氏兄弟控股有限公司" in May 2016. The change of Company names more accurately reflected its business strategy and set up a more appropriate corporate image and identity in the entertainment industry.

To achieve its success in strategic refinement, the Group has also started transformation to streamline its business structure through partial disposal of its stagnant sports business in the first half of 2016, 49% interest in Amber Jungle Limited, a direct wholly-owned subsidiary of the Company (as of the date of Disposal) which was likely to experience future sales drop and thus to pose uncertainty of performance to the Company. On the other hand, to acquire sufficient capital to explore new business opportunities, the Company placed 235 million new shares in April 2016. Both moves are to optimize its use of resources for profitable business and development in the future. Futhermore, the Group has continued to strengthen its executive and management team by inviting new directors with abundant experience and strategic management in the media and entertainment industry to bring into the Group new insights and prospects.

To capitalise on its industry network and resources, the Group has been searching for opportunities that can benefit its comprehensive development. The Group entered into a cooperation framework agreement in November 2016 with CMC Holdings Limited and 華人文化有限責任公司 (English transliteration for identification purpose: Huaren Wenhua Limited Liability Company) (collectively "CMC") to have collaboration in films investment and artiste engagement. CMC would share the Group with resources and experiences in areas of film development and production, marketing as well as a strong film distribution network in the PRC and worldwide. The Group could also benefit from an integrated industry chain allowing it to reach larger pool of talents which is essential to the continuous advancement in film and entertainment industries. Besides, the collaboration enables the Group to explore new spectrum of complementary business opportunities beneficial for long term development in the entertainment businesses.

CHAIRMAN'S STATEMENT

The success of the transformation has been evidenced with the impressive performance of the Group's entertainment businesses in repective segments. Film Business: the box office of movies, (i) From Vegas to Macau III（賭城風雲3）and (ii) Line Walker（使徒行者）demonstrated positive contribution into the 2016 result, and Shed Skin Papa（脱皮爸爸）has been shortlisted to get through Tokyo International Film Festival; Drama and non-drama project: Flytiger（飛虎極戰）has launched as the first production project to get into the PRC drama and non-drama market, Artiste and event management: five artistes have signed with the Group and started artiste management as one of the key driver of the entertainment businesses. All the successful outcome not only further reinforced the Group's confidence in its refined business strategy, but also displayed efficient execution capabilities of the new management team.

OUTLOOK AND PROSPECT

In the evidence of the encouraging results of the entertainment businesses in 2016, together with the joining of new management of intensive experiences in the entertainment industry, the board (the "Board") of directors (the "Directors") and the management of the Group is of no doubt that the Group has casted itself off the old single and stagnant business model, and is shifting towards an energetic new stage.

Looking forward, the Group will continue optimising its resources allocation, leveraging its core competency of management in movie, drama and non-drama, as well as artiste and event management segments, developing and intensifying its own competitive advantages in the entertainment arena, with the vision to sharpen the Group's brand name in the entertainment industry and bring fruitful results to the Group for its healthy and sustainable growth and for the benefits of the shareholders as a whole.

APPRECIATION

Last but not the least, I would like to express my sincere gratitude to our valuable shareholders, business partners and customers for their trust and support. And also I would like to extend my heartfelt thanks to our Directors, management team and staff for their tireless endeavor and contributions under the fierce market situation, and continue to bring the Group forward to attain better results and to increase value for our shareholders.

Shaw Brothers Holdings Limited
Mr. Li Ruigang
Chairman

Hong Kong, 29 March 2017

INDUSTRY OVERVIEW

The entertainment industry in China has been booming in recent years. Despite a slowdown of growth in total box office revenue in the PRC in 2016, it's still a sizable market which generated around RMB45.7billion box office revenue in 2016, representing one of the largest film markets in the world. Inspired by the prospering entertainment industry in the PRC, the Group has grabbed hold of the trend and continued refinement of its business strategy and optimisation of its resources allocation for healthy growth and sustainable development of sports and entertainment businesses .

BUSINESS REVIEW

To better align and reflect the refinement of Company's business strategy and give a more appropriate corporate image and identity, with the approval by the shareholders of the Company in the extraordinary general meeting dated 5 May 2016, the Company has changed its Company name from "Meike International Holdings Limited" to "Shaw Brothers Holdings Limited" and the Chinese name of the Company from "美克國際控股有限公司" to "邵氏兄弟控股有限公司" ("Change of Company Names") in May 2016. Details of the Change of Company Names are set out in the announcement of the Company dated 19 February 2016 and the circular of the Company dated 6 April 2016. The Change of Company Names has been effective since 11 May 2016.

To achieve its success in strategic refinement, the Company had kick-started the transformation to streamline its business structure. It entered into an agreement regarding disposal of 49% interest in Amber Jungle Limited, a direct wholly-owned subsidiary of the Company (as of the date of Disposal) which was likely to bring future loss to the Company, to an independent third party, Champ Luck Enterprise Limited (the "Disposal") so that more resources can be allocated to the general working capital and/or other profitable business and development of the Company. The total consideration of the Disposal amounts to HK$52,000,000 and had been fully settled as at the date of this annual report. Net proceeds from the Disposal were approximately HK$51,000,000 which has been well retained for use in daily operation and future development in line with the Company's business strategy. Details of the Disposal are set out in the circular of the Company dated 31 March 2016 and the announcement of the Company dated 25 January 2016 and 5 May 2016.

In addition, to acquire sufficient capital to explore new business opportunities, in April 2016, the Company had entered into a placing agreement with two placing agents, namely Get Nice Securities Limited and Emperor Securities Limited, pursuant to which the Company would place up to 235,000,000 new shares to not less than six independent placees at HK$1.00 on best effort basis (the "Placing of Shares"). The net proceeds from the Placing of Shares amounted to approximately HK$228,900,000, of which approximately HK$80,900,000 has been used for investments in films and general working capital of the Company. The unutilised proceeds of approximately HK$148,000,000 has been held in cash in bank and will be used as intended for future business development, potential investment opportunity and general working capital. Details of the Placing of Shares are set out in the announcements of the Company dated 11 April 2016 and 25 April 2016.

Furthermore, the Group has continued to strengthen its executive and management team by inviting new directors with abundant experience and strategic management knowledge and skills in the media and entertainment industry to bring into the Group new insights and prospects.

During the year ended 31 December 2016 (the "Year"), revenue of the Group increased by approximately RMB39,898,000 from approximately RMB147,735,000 to approximately RMB187,633,000 as compared to the year 2015. This was mainly benefiting from the contribution by entertainment businesses that generated a revenue of approximately RMB79,398,000, which contributed 42.3% of the total revenue of the Year. On the other hand, sales of sportswear business continued to slide down by approximately RMB39,500,000 from approximately RMB147,735,000 for the year 2015 to approximately RMB108,235,000 for the Year, which is mainly due to further decline in the distributor outlets and retailer outlets, during the Year.

ENTERTAINMENT

During the Year, the Group entered into the entertainment industry and generated revenues of approximately RMB79,398,000 (2015: RMB nil). The following table sets out the total revenues of the Group's income from entertainment businesses for the year ended 31 December 2016 and 31 December 2015.

	2016		2015	
	Investments in films	**Artiste and event management**	Investments in films	Artiste and event management
	RMB'000	**RMB'000**	RMB'000	RMB'000
Revenue	**44,195**	**35,203**	–	–

FILM BUSINESS

Film investment income came mainly from 2 films, From Vegas to Macau III（賭城風雲3）and Line Walker（使徒行者）, which contributed approximately RMB44,195,000 to the revenue and approximately RMB9,437,000 to the gross profit respectively. In addition, the Group has further invested in other films during the Year including Shed Skin Papa（脱皮爸爸）which is expected to exhibit in 2017. Given the positive outcome, the Group casts confidence not only on the box office income of the films with promising revenues to the Group, but also to the reputation of the Company via the theatrical screens in the PRC, Hong Kong and other regions around the world in the forthcoming years.

In addition to the development in the PRC market, the Group has also begun its international exploration as one of the major development direction in the Group's strategic matrix in forthcoming years.

ARTISTE AND EVENT MANAGEMENT

During the Year, artiste and event management business, another main source of income of the Company, generated revenue of approximately RMB35,203,000 and gross profit of approximately RMB5,302,000. During the Year, there have been 5 artistes who signed the artiste management contracts with the Group and it is expected that more artistes will join the Group in 2017. With the business development in artiste and event management, the Group can benefit from an integrated industry chain and the diversification of entertainment businesses for a healthy and long-run development.

DRAMA AND NON-DRAMA PROJECT

The Group has also launched drama and non-drama projects in 2016 and will become another key driver in its entertainment businesses in 2017. In November 2016, the Group has entered into a licensing agreement with YuKu（優酷）in which the Group takes the full lead to produce a drama named Flytiger（飛虎極戰）. Meanwhile, a number of drama and non-drama projects are under pre-production research and development phases which will be carried out in 2017.

CONTINUING CONNECTED TRANSACTION WITH CMC HOLDINGS AND HUAREN WENHUA

To capitalise on its industry network and resources, on 29 November 2016, the Group entered into the cooperation framework agreement ("Cooperation Framework Agreement") with CMC Holdings and 華人文化有限責任公司 (English transliteration for identification purpose: Huaren Wenhua Limited Liability Company, "Huaren Wenhua"). Details of the Cooperation Framework Agreement are set out in the announcement of the Company dated 29 November 2016 and the circular of the Company dated 16 February 2017. The Cooperation Framework Agreement has been approved by the independent shareholders in the extraordinary general meeting on 13 March 2017.

CMC Holdings and Huaren Wenhua are reputable and leading companies which have rich experiences in culture and art investment. With the collaboration in investment projects, CMC Holdings and Huaren Wenhua would share the Group with resources and experiences in areas of film development and production, marketing as well as a strong film distribution network in the PRC and worldwide, which enable the Group to stretch and expand in the film business. With the collaboration in artiste management, meanwhile, the Company could benefit from an integrated industry chain allowing it to reach larger pool of talents which is essential to the continuous advancement in film and entertainment industries. Besides, the benefit of richer resources and experiences, the collaboration also enables the Group to explore new spectrum of complementary business opportunities beneficial for long term development in the entertainment businesses.

SPORTSWEAR

The sales of sportswear has decreased by approximately RMB39,500,000 from approximately RMB147,735,000 in 2015 to approximately RMB108,235,000 in 2016, mainly due to further decline in the distributor outlets and retailer outlets during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the Year, the Group recorded a consolidated revenue of approximately RMB187,633,000 (2015: approximately RMB147,735,000), representing a year-on-year increase of approximately 27.0% or approximately RMB39,898,000. Loss for the Year amounted to RMB31,251,000, approximately decreased by RMB74,622,000 as compared to loss of approximately RMB105,873,000 in 2015 mainly due to the positive contribution from entertainment business and substantial decrease in impairment loss of trade receivables. In 2016, loss per share amounted to approximately RMB0.023 (2015: Loss per share approximately RMB0.089).

The increase in revenue was mainly attributable to the contribution by entertainment business that generated a revenue and gross profit of approximately RMB79,398,000 and RMB14,739,000 respectively in 2016 (2015: revenue and gross profit: RMB nil and RMB nil respectively).

REVENUE

The revenue of entertainment business mainly came from film business and artiste and event management. Film business generated revenue and gross profit of approximately RMB44,195,000 and RMB9,437,000 respectively, and artiste and event management, generated revenue and gross profit of approximately RMB35,203,000 and RMB5,302,000 respectively. As for sportswear business, the sales decreased from approximately RMB147,735,000 for the year ended 31 December 2015 to approximately RMB108,235,000 for the Year and the gross profit recorded approximately RMB14,721,000 in 2016 (2015: approximately RMB8,232,000).

Segment and geographical information in 2016

	The PRC RMB'000	**Hong Kong** RMB'000	**Other** RMB'000	**Total** RMB'000
Revenue				
Investments in films	–	44,195	–	44,195
Artiste and event management	–	35,203	–	35,203
Sportswear	101,003	–	7,232	108,235
	101,003	79,398	7,232	187,633
Gross profit				
Investments in films	–	9,437	–	9,437
Artiste and event management	–	5,302	–	5,302
Sportswear	13,737	–	984	14,721
	13,737	14,739	984	29,460

COST OF SALES

Cost of sales increased by approximately 13.4% to approximately RMB158,173,000 in 2016 (2015: approximately RMB139,503,000).

Cost of sales in entertainment businesses were approximately RMB64,659,000 in 2016 (2015: RMB nil), of which the investment costs of films amounted to approximately RMB34,758,000, and the direct costs incurred for artiste and event management amounted to approximately RMB29,901,000 respectively. The cost of sales of sportswear business decreased by approximately 33.0% to approximately RMB93,514,000 in 2016 (2015: approximately RMB139,503,000) primarily as a result of the overall decrease in the sales of sportswear.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 61.6% from approximately RMB7,968,000 in 2015 to approximately RMB3,061,000 in the Year, primarily as a result of the decrease in sales of the sportswear.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 10.9% from approximately RMB34,624,000 in 2015 to approximately RMB38,388,000 in the Year, primarily due to the increase in overheads of general operation.

INCOME TAX

The income tax expenses of the Group for the Year was RMB nil (2015: RMB nil).

INVENTORIES AND PROVISION FOR INVENTORIES

The Group generally procures for sportswear raw materials and commences production after confirming purchase orders with distributors subsequent to sales fairs to control the level of inventories at an optimal level. Inventories increased by approximately 4.0% from approximately RMB16.4 million as at 31 December 2015 to approximately RMB17.0 million as at 31 December 2016.

The Group may make specific provision on inventories. The Group conducts physical counts from time to time to identify obsolete, damaged or slow-moving inventories. Provision will be made on an inventory item if its carrying amount is lower than its net realisable value.

No allowance has been made on finished goods as at 31 December 2016 (2015: approximately RMB5,238,000).

No provision was made for work-in-progress as those work-in-progress was still in progress and for orders of early 2017.

TRADE AND OTHER RECEIVABLES AND PROVISION FOR IMPAIRMENT LOSS

The Group generally grants to each of its distributors and customers a credit period of no more than 180 days. However, the Group has extended the credit period for certain distributors up to 270 days during the Year upon negotiation and after considering their financial strength, past credit history and business performance history.

Trade receivables, net of provision of impairment loss, increased by approximately 47.6% from approximately RMB43.9 million as at 31 December 2015 to approximately RMB64.8 million as at 31 December 2016.

The Group estimated impairment loss on trade and other receivables resulting from the inability of customers to make the required payments and there was objective evidence that the Group would not be able to collect all amounts due. The Group made the estimates based on the payment history, customer's credit worthiness, historical write-off experience and default or delinquency in payments. During the year ended 31 December 2016, impairment loss in respect of trade and other receivables were recognised in the consolidated statement of profit or loss amounting to approximately RMB23.9 million (2015: approximately RMB61.0 million).

Details of trade and other receivables as at 31 December 2016 are set out in Note 20 to the consolidated financial statements in this annual report.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, bank balances and cash in hand and short-term bank deposits amounted to approximately RMB344.2 million, representing an increase of approximately RMB209.2 million from RMB135.0 million as at 31 December 2015. This is mainly attributable to the Placing of Shares in April 2016 of which the unutilised proceeds from the Placing of Shares has been held in cash in bank. As at 31 December 2016, the Group's bank and cash balances were denominated in Renminbi, Hong Kong Dollars and United States Dollars.

PLEDGE OF ASSETS

As at 31 December 2016, the Group secured its bank borrowings by prepaid land lease payments and buildings held for own use with an aggregate carrying amount of approximately RMB61.8 million (2015: approximately RMB18.7 million) and bank deposits of approximately RMB nil (2015: approximately RMB5.0 million).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material capital commitments and contingent liabilities.

FINAL DIVIDEND

No final dividend was recommended by the Board for the year ended 31 December 2016.

LOSS ATTRIBUTABLE TO SHAREHOLDERS AND NET LOSS MARGIN

For the Year, loss attributable to the owners of the Company amounted to approximately RMB31,251,000, representing a decrease of approximately 70.5% as compared to that in 2015 (2015: loss attributable to the owners of the Company amounted to approximately RMB105,873,000). Net loss margin of the Group dropped to approximately 20.7% (2015: approximately 71.7%).

FOREIGN EXCHANGE RISK

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi which are the functional currencies of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

GEARING RATIO

As at 31 December 2016, the gearing ratio of the Group was approximately 19.6% (2015: approximately 29.6%), which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

INTEREST-BEARING BANK BORROWINGS

As at 31 December 2016, the Group's bank borrowings amounted to approximately RMB121,800,000 (2015: approximately RMB117,300,000), bearing interest rates from 4.39% to 5% (2015: 4.39% to 6.72%), which were all due within one year.

HUMAN RESOURCES

As at 31 December 2016, the Group had a total of 528 employees (as at 31 December 2015: 880 employees).

CAPITAL STRUCTURE

As at 31 December 2016, the Group's net assets were financed by internal resources and bank borrowings.

On 11 April 2016, there was a placing of 235,000,000 new ordinary shares of the Company at the placing price of HK1.00 per share to not less than six independent placees by the Company. The placing price represented a discount of approximately 11.50% to the closing price of HK$1.130 per share as quoted on the Stock Exchange on 11 April 2016, being the date of the placing agreement; and (ii) a discount of approximately 10.23% to the average of the closing prices of approximately HK$1.114 per share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the placing agreement. The nominal value per share is HK$0.01 and the aggregate nominal value of the placing shares is HK$235,000,000. The placing of 235,000,000 shares of the Company was completed on 25 April 2016.

As at 31 December 2016, the number of total issued shares of the Company was 1,419,610,000 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL

On 25 January 2016, the Company entered into an agreement with Champ Luck Enterprise Limited (the "Purchaser"), pursuant to which the Company has agreed to sell and the Purchaser has agreed to acquire the sale interests, representing 49% of the issued share capital of a direct wholly-owned subsidiary (as of the date of Disposal), Amber Jungle Limited, for a total cash consideration of HK$52,000,000. Amber Jungle Limited is a company established in the BVI with limited liability. Amber Jungle Limited, through its wholly-owned subsidiaries, is principally engaged in the manufacturing and trading of sporting goods.

Save as disclosed above, the Group did not have any other material acquisition and disposal of subsidiaries and associated companies during the Year.

EQUITY FUND RAISING

In April 2016, the Company completed a placing of 235,000,000 new shares and raised net proceeds from the Placing of Shares amounting to approximately HK$228,900,000 for the Group's future business development and general working capital, of which approximately HK$80,900,000 has been used for investment in films and general working capital of the Company. The unutilised proceeds of approximately HK$148,000,000 has been held in cash in bank and will be used as intended for future business development, potential investment opportunity and general working capital.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling of used papers and energy saving.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus, the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the Year, there was no material and significant dispute between the Group and its business partners or bank enterprises.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of shareholders and devote considerable effort to identifying and formalising best practice.

The Group's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules").

The Board considered that the Company had complied with the code provisions of the Code (the "Code Provisions") during the Year and up to the date of this annual report, except for the deviation from Code Provisions A.2.1, A.2.7, A.4.1 and E.1.2 of the Code as stated below.

CODE PROVISION A.2.1

Code Provision A.2.1 stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

The current Board structure deviates with the above Code Provision:–

- On 25 October 2016, Mr. Li Ruigang was appointed as the Chairman of the Board in place of Dr. Allan Yap, who was former Chairman of the Board in place of Mr. Ding Siqiang since 29 January 2016. Subsequently, Dr. Allan Yap has resigned as an executive Director and Chairman of the Company since 25 October 2016. Mr. Ding is an executive Director of the Company. The Company does not have any officer with the title of 'Chief Executive Officer'.

- The Board considers that this structure will not impair the balance of power and authority between the Board and management of the Group as the roles of the respective executive Directors and senior management who are in charge of different functions complement the role of the Chairman and chief executive officer. It is believed that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently. However, the Company will continue to consider the feasibility to comply with Code Provision A.2.1 and find a suitable candidate to take on the post of chief executive officer.

CODE PROVISION A.2.7

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The Board meetings of the Company held during the Year had included the participation of the executive Directors, yet the non-executive Directors (including independent non-executive Directors) could freely provide their independent opinion to the Board.

The Company will endeavor to arrange the meetings for the Chairman with the non-executive Director (including the independent non-executive Directors) so as to comply with the requirement of Code Provision A.2.7.

CODE PROVISION A.4.1

Mr. Gu Jiong was appointed as a non-executive Director on 29 January 2016, he was not appointed for a specific term, but is subject to re-election the first general meeting of the Company after his appointment and the rotation requirements as set out in the Company's Articles of Association. He was successfully re-elected at the extraordinary general meeting of the Company held on 5 May 2016. Subsequently, he resigned as a non-executive Director on 25 October 2016 and was appointed an alternate Director to Mr. Thomas Hui To on the same day.

Save as disclosed above, the other non-executive Directors (including independent non-executive Directors) have been appointed for a specific term during the Year and up to the date of this annual report.

CODE PROVISION E.1.2

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company (the "AGM").

Dr. Allan Yap, the former Chairman of the Board who resigned as executive Director on 25 October 2016, was unable to attend the AGM for 2016 due to other business engagement. However, another Director had chaired the AGM for 2016 and answered questions from the shareholders of the Company.

The AGM provides a channel for communication between the Board and the shareholders of the Company. Other than the AGM, the shareholders may communicate with the Company through the contact information as set out in this annual report.

Details of the Group's corporate governance are summarised as below.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

The Board currently comprises nine Directors (including four executive Directors, two non-executive Directors and three independent non-executive Directors). The Company also appointed one alternate Director. During the Year and up to the date of this annual report, the Directors are:

Chairman and Non-executive Director
Mr. Li Ruigang (appointed as Chairman and non-executive Director on 25 October 2016)

Executive Directors
Mr. Ding Siqiang (re-designated from Chairman, President and executive Director to executive Director on 29 January 2016)
Ms. Ding Xueleng
Mr. Jiang Wei (appointed on 25 October 2016)
Miss Lok Yee Ling Virginia (appointed on 29 January 2016)

Non-executive Director
Mr. Hui To Thomas (appointed on 25 October 2016)

Independent non-executive Directors
Mr. Pang Hong
Mr. Poon Kwok Hing Albert
Miss Szeto Wai Ling Virginia (appointed on 29 January 2016)

Alternate Director
Mr. Gu Jiong (appointed as alternate Director to Mr. Hui To Thomas on 25 October 2016)

Resigned Directors
Ms. Qiu Qiuxing (resigned on 29 January 2016)
Mr. Li Dongxing (resigned on 29 January 2016)
Mr. Lau Yu Hang (resigned on 29 January 2016)
Dr. Allan Yap (re-designated as Chairman on 29 January 2016 and resigned as Chairman and executive Director on 25 October 2016)
Mr. Wong Ka Ching (resigned on 25 October 2016)
Mr. Gu Jiong (appointed as non-executive Director on 29 January 2016 and resigned as non-executive Director on 25 October 2016)

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 31 to 34 of this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group.

The Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

Mr. Ding Siqiang is the husband of Ms. Ding Xueleng. Save as disclosed in this paragraph, there are no other relationships (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

During the Year, the Board maintained a high level of independence, with one-third of the Board comprised of independent non-executive Directors, who had exercised independent judgments. The independent non-executive Directors are expressly identified in all corporate communications whenever the names of the Directors are disclosed.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

On 29 January, 2016, Miss Lok Yee Ling Virginia was appointed as executive Director, Mr. Gu Jiong was appointed as non-executive Director, and Miss Szeto Wai Ling Virginia was appointed as independent non-executive Director. Dr. Allan Yap has re-designated executive Director to the Chairman of the Board and executive Director in place of Mr. Ding Siqiang, who was re-designated from the Chairman of the Board, president of the Company and executive Director, to executive Director. Mr. Li Dongxing and Mr. Lau Yu Hang have resigned as executive Directors and Ms. Qiu Qiuxing has resigned as an independent non-executive Director on the same day.

On 5 May 2016, Miss Lok Yee Ling Virginia, Mr. Gu Jiong, Mr. Pang Hong, Mr. Poon Kwok Hing Albert, Miss Szeto Wai Ling Virginia and Dr. Allan Yap, who were appointed by the Board as Directors during 2015 and 2016 to hold offices as Directors of the Company until the first general meeting following their appointment held on 5 May 2016 (the "2016 EGM"), were successfully re-elected at the 2016 EGM.

On 8 June 2016, Mr. Ding Siqiang and Ms. Ding Xueleng, both are executive Directors and retired from the offices as Directors, were successfully re-elected at the 2016 annual general meeting of the Company held on that day.

On 25 October 2016, Mr. Li Ruigang was appointed the Chairman of the Board in place of Dr. Allan Yap, who resigned as the Chairman of the Board and executive Director on the same day. Mr. Hui To Thomas was appointed as non-executive Director of the Company on the same day. Mr. Gu Jiong, who resigned as non-executive Director of the Company on 25 October 2016, was appointed as alternate Director to Mr. Hui To Thomas on the same day. Mr. Jiang Wei was appointed as executive Director of the Company and Mr. Wong Ka Ching has resigned as non-executive Director on 25 October 2016.

On 13 March 2016, Mr. Li Ruigang, Mr. Jiang Wei and Mr. Hui To Thomas who were appointed by the Board as Directors during the Year to hold offices as Directors of the Company until the first general meeting following their appointment held on 13 March 2017 (the "2017 EGM"), were successfully re-elected at the 2017 EGM.

All Directors of the Company (except for the alternate Director), are subject to retirement and re-election in accordance with the Articles of Association of the Company.

The Company issues letters of appointment or enters into service contracts with the Directors to document the key terms of appointment in writing for Directors. In accordance with Article 84 of the Articles of Association of the Company, at each annual general meeting, at least one-third of the Directors are required to retire from office by rotation. Each Director shall retire from office at least once every three years and shall include those who have been longest in office since their last election or re-election.

Mr. Pang Hong, Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia shall retire as Directors at the forthcoming annual general meeting of the Company in 2017 (the "2017 AGM") and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions from the Listing Date and up to the date of this annual report.

BOARD DIVERSITY POLICY

Pursuant to the Code Provision relating to board diversity, the Board has adopted a board diversity policy in August 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointment will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Each Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment so as to ensure the he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal action against its Directors and officers.

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the function set out in the code provision D.3.1 of the Code by reviewing the Company's corporate governance policies and practices, the compliance of the Model Code, disclosure in this Corporate Governance Report, etc.

NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements to appoint a sufficient number of independent non-executive directors and most of them have appropriate professional qualifications or accounting or related financial management expertise as set out in Rules 3.10(1) and (2) of the Listing Rules. As at the date of this report, Mr. Pang Hong, Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia are the independent non-executive Directors.

All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

BOARD MEETINGS AND PROCEDURES

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and kept by Company Secretary of the Company and open for inspection at any reasonable time on reasonable notice by any director.

The Board held 18 meetings during the Year.

Details of the attendance[1] record of Directors at the meetings of the Board, audit committee of the Company (the "Audit Committee"), remuneration committee of the Company (the "Remuneration Committee") and nomination committee of the Company (the "Nomination Committee"), extraordinary general meetings ("EGMs") and annual general meeting ("AGM") held during the Year are summarized as follows:

Directors	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	EGMs	AGM
Mr. Li Ruigang[2] (appointed on 25 October 2016)	1/2	N/A	N/A	N/A	N/A	N/A
Mr. Ding Siqiang[3]	11/18	N/A	1/1	1/1	0/2	0/1
Ms. Ding Xueleng	11/18	N/A	N/A	N/A	0/2	0/1
Mr. Jiang Wei[4] (appointed on 25 October 2016)	1/2	N/A	N/A	N/A	N/A	N/A
Miss Lok Yee Ling Virginia[5] (appointed on 29 January 2016)	15/16	N/A	N/A	N/A	2/2	1/1
Mr. Hui To Thomas[6] (appointed on 25 October 2016)	2/2	N/A	N/A	N/A	N/A	N/A
Mr. Pang Hong	16/18	3/3	5/5	3/3	0/2	0/1
Mr. Poon Kwok Hing Albert	16/18	3/3	5/5	2/3	0/2	1/1
Miss Szeto Wai Ling Virginia[7] (appointed on 29 January 2016)	13/16	3/3	4/4	2/2	2/2	1/1

Alternate Director	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	EGMs	AGM
Mr. Gu Jiong (appointed as Alternate Director to Mr. Hui To Thomas on 25 October 2016)	N/A	N/A	N/A	N/A	N/A	N/A

Resigned Directors	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	EGMs	AGM
Dr. Allan Yap[8] (resigned on 25 October 2016)	14/16	N/A	N/A	N/A	2/2	0/1
Mr. Gu Jiong[9] (appointed as and resigned on 25 October 2016)	13/14	N/A	N/A	N/A	2/2	1/1
Mr. Wong Ka Ching[10] (resigned on 25 October 2016)	11/16	N/A	N/A	N/A	2/2	1/1
Mr. Lau Yau Hang[11] (resigned on 29 January 2016)	1/1	N/A	N/A	N/A	N/A	N/A
Mr. Li Dongxing[12] (resigned on 29 January 2016)	1/1	N/A	N/A	N/A	N/A	N/A
Ms. Qiu Qiuxing[13] (resigned on 29 January 2016)	0/1	N/A	N/A	1/1	N/A	N/A

Notes:

Demonstration – Total numbers of meeting(s) attended/Total number of meeting(s) held during their respective length of service in the year.

[1] Directors may attend meetings in person, by phone or through other means of electronic communication or by their alternate directors in accordance with the Articles of Association of the Company.

[2] Mr. Li Ruigang was appointed as a non-executive Director of the Company and the Chairman of the Board on 25 October 2016. Only two Board meetings were held; and no EGMs nor AGM took place during 25 October 2016 and 31 December 2016, following his appointment as a non-executive Director of the Company and the Chairman of the Board.

[3] Mr. Ding Siqiang ceased to be the chairman of the Remuneration Committee and a member of the Nomination Committee on 29 January 2016. One Remuneration Committee meeting and one Nomination Committee meeting were held during 1 January 2016 and 29 January 2016, before his resignation as the chairman of the Remuneration Committee and a member of the Nomination Committee.

[4] Mr. Jiang Wei was appointed as an executive Director of the Company on 25 October 2016. Only two Board meetings were held; and no EGMs nor AGM took place during 25 October 2016 and 31 December 2016, following his appointment as an Executive Director of the Company.

[5] Miss Lok Yee Ling Virginia was appointed as an executive Director of the Company on 29 January 2016. Sixteen Board meetings were held during 29 January 2016 and 31 December 2016, following her appointment as an executive Director of the Company.

[6] Mr. Hui To Thomas was appointed as a non-executive Director of the Company on 25 October 2016. Only two Board meetings were held; and no EGMs nor AGM took place during 25 October 2016 and 31 December 2016, following his appointment as a non-executive Director of the Company.

[7] Miss Szeto Wai Ling Virginia was appointed as an Independent non-executive Director of the Company, the chairman of the Remuneration Committee and a member of the Nomination Committee and Audit Committee on 29 January 2016. Sixteen Board meetings, four Remuneration Committee meetings, three Audit Committee meetings and two Nomination Committee meetings were held during 29 January 2016 and 31 December 2016, following her appointment as an independent non-executive Director of the Company.

[8] Dr. Allan Yap resigned as the Chairman of the Board and an executive Director of the Company on 25 October 2016. Sixteen Board meetings were held during 1 January 2016 and 25 October 2016, before the resignation of Dr. Yap.

[9] Mr. Gu Jiong was appointed as a non-executive Director on 29 January 2016 and resigned as a non-executive Director of the Company on 25 October 2016. Fourteen Board meetings were held during 29 January 2016 and 25 October 2016, before the resignation of Mr. Gu.

[10] Mr. Wong Ka Ching resigned as a non-executive Director of the Company on 25 October 2016. Sixteen Board meetings were held during 1 January 2016 and 25 October 2016, before the resignation of Mr. Wong.

[11] Mr. Lau Yau Hang resigned as an executive Director of the Company on 29 January 2016. Only one Board meeting was held; and no EGMs nor AGM took place during 1 January 2016 and 29 January 2016, before the resignation of Mr. Lau.

[12] Mr. Li Dongxing resigned as an executive Director of the Company on 29 January 2016. Only one Board meeting was held; and no EGMs nor AGM took place during 1 January 2016 and 29 January 2016, before the resignation of Mr. Li.

[13] Ms. Qiu Qiuxing resigned as an independent non-executive Director of the Company on 29 January 2016. She also ceased to be the chairman of the Audit Committee and a member of the Nomination Committee on the same day. Only one Board meeting and one Nomination Committee meeting were held; and no Audit Committee meeting, EGMs nor AGM took place during 1 January 2016 and 29 January 2016, before the resignation of Ms. Qiu.

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with written terms of reference which are available for viewing on the website of the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

AUDIT COMMITTEE

The Company established the Audit Committee on 6 January 2010 with written terms of reference, which is available on the websites of the Stock Exchange and the Company, are in compliance with the code provisions of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control and risk management systems of the Company. As at the date of this annual report, the Audit Committee consists of three members comprising Mr. Poon Kwok Hing Albert (Chairman), Mr. Pang Hong and Miss Szeto Wai Ling Virginia, all being independent non-executive Directors.

During the Year, the Audit Committee had reviewed the interim results and final results of the Group for the Year. The Group's final results for the Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this annual report, and confirmed that this annual report complies with the applicable standard, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Audit Committee held 3 meetings during the Year. Details of the attendance of the Audit Committee meetings are set out under the section headed "Board Meetings and Procedures".

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 6 January 2010 with written terms of reference, which is available on the websites of the Stock Exchange and the Company, are in compliance with the code provisions of the Code. The primary duties of the Remuneration Committee are to consult the Chairman of the Board about their remuneration proposals for other executive Directors, make recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management and make recommendation to the Board on the remuneration packages of individual Directors' and senior management. No Director shall participate in any discussion about his or her own remuneration. As at the date of this annual report, the Remuneration Committee consists of three members, namely, Miss Szeto Wai Ling Virginia (Chairman), Mr. Pang Hong and Mr. Poon Kwok Hing Albert, all of which are independent non-executive Directors. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions.

The Remuneration Committee held 5 meetings during the Year. Details of the attendance of the Remuneration Committee meeting are set out under the section headed "Board Meetings and Procedures".

At the meetings, the Remuneration Committee had reviewed the remuneration policies of the Directors and the senior executives and reviewed the remuneration packages and performance of the Directors for the Year.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The main aims of the Company's remuneration policy are:

- to ensure that none of the Directors or any of their associates should determine their own remuneration;
- the remuneration should be broadly aligned with companies of which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst taking into account individual performance and should avoid paying more than necessary for such purpose; and
- the remuneration should reflect the performance, complexity of duties and responsibility of the individual.

The remuneration payable to members of senior management is within the following band:

	Number of Individuals
RMB Nil – RMB1,000,000	1
RMB1,000,001 – RMB1,500,000	–

Further details of the Directors' and chief executive's emoluments are set out in Note 11 of the consolidated financial statements in this annual report.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 6 January 2010 with written terms of reference, which is available on the websites of the Stock Exchange and the Company, are in compliance with the code provisions of the Code. The primary duties of the Nomination Committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations to the Board regarding any proposed change, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors. The Nomination Committee consists of three members, namely, Mr. Pang Hong (Chairman), Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia, all of which are independent non-executive Directors.

The Nomination Committee held 3 meetings during the Year. Details of the attendance of the Nomination Committee meeting are set out under the section headed "Board Meetings and Procedures".

At the meetings, the Nomination Committee had reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors and other related matters of the Company.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Group, in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The statement by the auditor of the Company about his responsibilities for the consolidated financial statements is set out in the independent auditor's report contained in this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

FINANCIAL REPORTING AND INTERNAL CONTROL

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts for each financial period by the management. Subsequent to each reporting period, interim or annual financial highlights and business review are published as soon as possible (or in accordance with the Listing Rules, as the case may be) to disclose all information that are necessary for shareholders to assess the performance, financial conditions and prospects of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

During the Year, the Group has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management of the Company (the "Management") is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2016, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- *Control Activities:* Action established by policies and procedures to help ensure that management directives to migitgate risks to the achievement of objectives are carried out.

- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include but are not limited to:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

Based on the internal control reviews conducted in 2016, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("IA") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged SHINEWING (HK) CPA Limited as its external auditor for the Year. Analysis of the remuneration in respect of audit services provided by the external auditor is included in Note 10 to the consolidated financial statements in this annual report. For the Year, the respective fees charged for the following services are set out as below:

Type of services provided	Amount of fees (RMB'000)
Audit services	1,027
Non-audit services (Note)	497
Total	1,524

Note: Non-audit services refer to the review of interim results of the Company for the period ended 30 June 2016.

COMPANY SECRETARY

Miss Chan Yin Yi Annie was appointed by the Board as the company secretary of the Company (the "Company Secretary") since 29 January 2016. She has taken not less than 15 hours of relevant professional training during the year ended 31 December 2016 and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. The biographical details of Miss Chan are set out under the section headed "Biographical Details of Directors and Senior Management" on page 34 of this annual report.

The Company Secretary reports directly to the Board. All the Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure the board meetings are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advices with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of discloseable transactions, connected transactions and inside information. The Company Secretary shall provide advices to the Board with respect to strict compliance with the laws, requirements and the Company's Articles of Association at appropriate times. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance code so as to bring the best long term value to shareholders. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company at appropriate times. The Company Secretary is also responsible for supervising and managing the Group's relationship with investors.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

INVESTOR RELATIONS

The Company places great emphasis on its relationship and communication with investors. In order to keep shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the shareholders through financial reports and announcements. The Company has established its own corporate website www.shawbrotherspictures.com as a channel to facilitate effective communication with its shareholders and the public.

During the Year, except for the Change of Company Names from Meike International Holdings Limited to Shaw Brothers Holdings Limited, the Company did not make any significant changes to its Memorandum and Articles of Association.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company endeavors to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings or other general meetings to communicate with the Shareholders and encourage their participation.

The Company's annual general meeting allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the annual general meeting proposes separate resolutions for each issue to be considered.

The Group will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirement.

Annual general meeting proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of annual general meeting is distributed to all shareholders prior to the annual general meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the annual general meeting exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

PROCEDURES FOR CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 58 of the Articles of Association of the Company, extraordinary general meetings shall be convened on the requisition of one or more shareholders of the Company 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. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transactions of any business specified in such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(s) may do so in the same manner.

Pursuant to Article 85 of the Articles of Association of the Company, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Any such proposals by shareholder shall be made directly to the Company sending written enquiries or requests in respect of their rights to the following principal place of business of the Company in Hong Kong:

Shaw Brothers Holdings Limited
19/F., Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong.
Tel No.: (852) 2335-8931
Fax No.: (852) 2335-7266
Website: www.shawbrotherspictures.com

ENQUIRES PUT TO THE BOARD

Shareholders can make enquiries directly to the Company by sending written enquiries or requests in respect of their rights to the following principal place of business of the Company in Hong Kong:

Shaw Brothers Holdings Limited
19/F., Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong
Tel No.: (852) 2335-8931
Fax No.: (852) 2335-7266

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

REPORT OVERVIEW

The Environmental, Social and Governance ("ESG") Report published by Shaw Brothers Holdings Limited (the "Company") outlined the full implementation of sustainability and the commitment to responsibility as a corporate citizen of the Company and its subsidiaries (together as the "Group" or "we"). The ESG Report details various work of the Group fulfilling the principle of sustainable development and its performance of social governance in 2016.

REPORT SCOPE

The ESG Report mainly covers the environmental and social performance of the Group's production plant of sports goods in Fujian Province, China for the period between 1 January 2016 and 31 December 2016 (the "Year"). For details of corporate governance, please refer to the corporate governance report on pages 13 to 26 of the annual report of the Company.

REPORTING STANDARDS

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

STAKEHOLDER ENGAGEMENT

We have engaged our staff from different divisions in the preparation of the ESG Report, for the purpose of developing better insights into where we are with our environmental and social performance. The information we collected not only represents the results of the Group's initiatives in the environmental and social aspects in 2016, but also forms the basis for the formulation of our short-term and long-term sustainability strategy.

INFORMATION AND FEEDBACK

For details of environmental and corporate governance of the Company, please refer to the official website of Shaw Brothers Holdings Limited (http://www.shawbrotherspictures.com) and the annual report. The Company values your opinions on this report. Please feel free to contact the Company:

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ENVIRONMENTAL PROTECTION

EMISSION TREATMENT

The Group strictly complies with the Water Pollution Prevention and Control Law of the PRC, the Air Pollution Prevention and Control Law of the PRC, the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes, the Environmental Protection Law of the PRC and other relevant laws and regulations. It ensures the emissions meet the national emission standards according to the internal requirements on environmental management. Our environmental management system meets the standard of GB/T24001-2004/ISO14001:2004. In addition, we perform environmental factor assessment to prevent environmental pollution incidents. We also provide guidelines to our employees on handling chemical spills and pollutant emission, so as to minimize the environmental impact of the Group's production activities.

The Group applies to the local environmental authorities for regular tests on air emission and wastewater generated from the production process, so that the air emission and wastewater are in compliance with the environmental regulations. We installed wastewater treatment system within the plants to treat wastewater properly and prevent pollution of underground water due to wastewater. As to hazardous wastes generated during the production process, such as waste oil drums, oil rags and organic resin wastes, the Group stores them by types with clear labels and deliver them to professional companies with the qualification of hazardous waste treatment for subsequent treatment.

The Group practices recycling and minimizes non-hazardous wastes through effective use of resources. The non-hazardous wastes produced by the Group come from the packaging and residues of raw materials, such as cartons, metal and plastics, which will be handed over to competent collection stations and recyclers to reduce environmental pollution due to the discard of non-hazardous wastes.

RESOURCES CONSERVATION

The Group recognizes the importance of resources conservation, hence it takes the following measures at the workplace:

– To reduce power consumption, we adopt lighting systems with high energy efficiency. For instance, we have replaced the traditional tungsten light bulbs with T5 fluorescent lights and LED lightings. We also encourage employees to turn off unnecessary electrical appliances and lightings to reduce power wastage when they leave the office.

– To save water consumption, we perform regular inspection, maintenance and leakage test on water pipes to ensure that they are in good conditions, with a view of reducing water wastage.

– To lower paper consumption, we promote the concept of E-office by encouraging employees to adopt the E-office system and increase the use of emails for communication. We also install the fingerprint attendance system in replacement of the traditional punch in and out system, and implement digitalization of records to save paper.

EMPLOYEE FIRST

EMPLOYEES' RIGHTS

The Group maintains strict compliance with the Labour Law of the PRC, the Labour Contract Law of the PRC and other relevant laws and regulations in human resources management.

In terms of talent recruitment, the Human Resources Department of the Group carries out centralized recruitment based on the needs of business divisions. We offer interviews to applicants who meet the job requirements and treat them equally regardless of their gender, race, religion, age, disability, sexual orientation, nationality, political standpoint, social status, social and ethnic background. To avoid inadvertent recruitment of child labour, newly recruited employees are required to provide valid and legal identification documents within given time before joining the Group. For the prevention of forced labour, the Group does not force employees to work overtime or restrain employees from getting off duty at scheduled time. The Group adopts the standard working hours system that employees work eight hours per day in accordance with the national laws and regulations. Our employees are also entitled to wedding leave, funeral leave, maternity leave, breastfeeding leave and other statutory leaves which allow them to have sufficient rest time. Apart from the basic salary, we offer punctuality bonus, attendance-based incentive, service year incentive and performance-based incentive to motivate employees. Employees who achieve outstanding results in regular appraisal may be promoted. We make timely payment of the remaining salary to resigned employees in accordance with the national laws and regulations.

The Group attaches great importance to employees' basic rights. We have a set of employee complaint handling procedure in place as the proper and clear reporting channel for timely address of complaints in the case where employees are subject to unfair treatment or when their rights are impeded. Our employees are free to report to their supervisors through the complaint box should they have any opinions or complaints at work. The identity of the complainant will be kept confidential so that his/her work will not be affected.

TRAINING AND DEVELOPMENT

The training system of the Group is designed to facilitate its business development objective. The trainings offered aim to enhance employees' job skills, explore their potential, improve the quality of their works and promote their understanding of corporate culture in a planned way. Our trainings can be divided into three categories: staff orientation training, on-the-job training and other professional trainings. In order to help new employees to quickly adapt to their positions, we provide induction training on areas including introduction to the position, development history, corporate culture, system and business of the Group. Our internal lecturers are in charge of the on-the-job trainings which primarily cover business-related information and other subjects of interest to our employees. Such trainings develop a learning atmosphere within the organization where employees help each other to enrich their lives of part-time studies. The Group also engages external experts to provide other professional trainings on job-related expertise, such as technical expertise, sales skills, management skills, with the view of upgrading employees' professional skills and work efficiency. For different trainings, we require employees to take related assessment so as to review their post-training performance.

HEALTH AND SAFETY

The Group adheres to the "People-oriented" principle and attaches great importance to employees' physical and mental wellbeing. It strives to boost employees' work efficiency and support production and development by providing a safe and healthy workplace. We have set up the safety committee in charge of the health and safety of co-workers. In addition to implementing the Group's health and safety regulations, the committee performs regular fire safety inspection at production sites so as to keep the workplace safe and tidy at all times.

In order to ensure employees' safety and health at work, we have formulated the work-related injury prevention protocol to avoid work accidents. All of our employees are required to attend regular health and safety trainings in different forms, which are designed to teach them safety production knowledge and operational practices. For instance, we organize fire safety trainings, regular emergency evacuation drills and fire drills at the workplace to increase employees' ability in accident prevention and disposal. Moreover, we also provide employees with necessary protection gears to reduce the probability of getting occupational diseases.

OPERATING PRACTICES

SUPPLIER MANAGEMENT

In order to ensure consistent quality of supplies, we maintain supplier archives to facilitate better management of the cooperation with suppliers. We record the performance of major suppliers and the transactions with them by compiling a supplier list. As for the selection of suppliers, we have stringent approval criteria which take into account the track record, supply capacity, product quality and quality control capability as well as service standard of the suppliers. We also regularly review the supplier list and update the catalogue to remove unqualified suppliers, so as to maintain the quality of suppliers.

PRODUCT RESPONSIBILITY

As a responsible manufacturer, the Group adheres to the requirements of the Work Safety Law of the PRC and the principle of "Safe Production and People-oriented" during the production process. We also place great emphasis on product quality and have obtained the GB/T19001-2008/ISO9001:2008 Quality Management System Certification, which demonstrates our dedication to providing high quality products to customers.

For this purpose, the Group adopts stringent process to inspect raw materials. We first formulate a list of raw materials that require quality testing and temporarily store the incoming supplies at the holding area. We then perform quality inspection on raw materials on the list. Upon inspection, we separately store and label materials that fail to meet the quality standards, and propose solutions to the suppliers. For materials that pass the quality inspection, we store them properly in the warehouse.

The Group endeavours to prevent leakage of customer information and internal confidential documents, hence we prohibit our employees to take away documents from the workplace without the approval of their supervisors. We also require them to keep documents at proper places and arrange them by types to prevent documents loss.

ANTI-CORRUPTION

In pursuit of standardized management of production and operation, fair competition in the market, product health and orderly development of the Group, we have established an anti-corruption and anti-bribery control system. We have strictly complied with the Criminal Law of the PRC and other relevant laws and regulations to uphold proper business practices. We prohibit our staff from offering or accepting any advantages such as gifts, cash, entertainment and travel tour, in various forms or titles, from any parties that have dealings with the Group in conducting the business or affairs. Employees are also prohibited to acquire business opportunities or business interest through improper means.

The Group has a number of reporting channels in place and encourages employees to report to the most senior management for better prevention of taking and offering of bribes. We have set up opinion boxes across the organization and dedicated personnel is assigned for their management. Employees can express their opinions and report irregularities through writing opinion forms or dialling the Group's hotline. Investigation team will be formed when we received employees' feedbacks, and the Group will protect the identity of the whistleblower by handling all reports in confidence.

COMMUNITY ENGAGEMENT

While pursuing business growth, the Group also actively participates in charitable events. During the Year, the Group made a donation to Xibian Primary School and Xibian Kindergarten at Chendai Town, Jinjiang City, Fujian Province in support of education.

DIRECTORS

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Ruigang, aged 47, was appointed as a non-executive Director of the Company and as the Chairman of the Board on 25 October 2016. He is the Founding Chairman of CMC Capital Partners and CMC Holdings (together with its affiliates, called "CMC"). Mr. Li has rich operational experience and in-depth insight into China's media and entertainment industry. Mr. Li is a pioneer in establishing extensive international partnerships, and has led CMC in the creation of many industry champions across the areas of media, entertainment, sports, internet, mobile, and lifestyle. Mr. Li is a non-executive director of WPP plc which is listed on the London Stock Exchange and the New York Stock Exchange. Mr. Li is a member of the Chinese Football Association's Executive Committee and a board member of Special Olympics. Mr. Li is the Honorary Chairman of Shanghai Oriental Pearl Media Co. Ltd. which is listed on the Shanghai Stock Exchange. Mr. Li is the vice chairman and a non-executive director of Television Broadcasts Limited ("TVB") and a non-executive director of IMAX China Holding, Inc., both being companies listed on the Stock Exchange. Mr. Li was formerly the chairman and president of Shanghai Media Group ("SMG") in China for more than ten years, and had successfully transformed SMG from a provincial broadcaster into a media conglomerate with a comprehensive business scope, including the A-share listed Shanghai Oriental Pearl Media Co. Ltd. and China Business Network. Mr. Li was also Chief of Staff of Shanghai Municipal Government. Mr. Li holds a Master's Degree of Arts and a Bachelor's Degree of Arts of Journalism from Fudan University.

EXECUTIVE DIRECTORS

Mr. Ding Siqiang, aged 54, was appointed as a Director of the Company on 25 June 2009 and re-designated as an executive Director on 6 January 2010. He was also the chairman and president of the Company until 29 January 2016. He is primarily responsible for making key decisions on the Group's overall strategies, plans and business development. Mr. Ding has 23 years of experience in the sportswear industry since he started to operate Fujian Jinjiang Hengqiang Shoes and Plastics Company (福建省晋江市恒強鞋塑有限公司) in 1993. He joined the Group in 1999 as the vice chairman of Fujian Meike Leisure Sports Goods Co., Ltd. (福建美克休閒體育用品有限公司) ("Fujian Meike"), one of the subsidiaries of the Company. He served as the legal representative and general manager of Fujian Meike since February 2003 and became the president of Fujian Meike since August 2007. He has been a member of the Ninth and Tenth Fujian Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議福建省第九屆和第十屆委員) since December 2002. He was appointed as a Standing Director of the First Session of the Jinjiang City Overseas Friendship Association (晋江市海外聯誼會第一屆常務理事) in December 2002. He was appointed as a Honorary Chairman of the First Council of the Jinjiang City Charity Federation (晋江市慈善總會首屆理事會榮譽會長) in December 2002. He was appointed as a director of the Fifth Board of Directors of Huaqiao University (華僑大學第五屆董事會董事) in December 2002. He was appointed as a Honorary Chairman of the Third Council of the Quanzhou City Footwear Chamber of Commerce (泉州市鞋業商會第三屆理事會名譽會長) in January 2006. He was appointed as the Honorary Leader of Chinese Women Hockey Team (中國女子曲棍球隊榮譽領隊) by Chinese Hockey Association (中國曲棍球協會) in October 2007. He also received his diploma in a course for chief executive officer in China (中國企業總裁高級研修班) from Peking University (北京大學) in September 2003. Mr. Ding is Ms. Ding Xueleng's husband.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Ding Xueleng, aged 52, was appointed as an executive Director of the Company on 6 January 2010 and is the Vice President of the Company. She is primarily responsible for the management of footwear and apparel operations, design, research and development, financial management and overall administration management of the Group. Ms. Ding has 22 years of experience in the sportswear industry since she became the director of Fujian Jinjiang Hengqiang Shoes and Plastics Company（福建省晉江市恒強鞋塑有限公司）. Ms. Ding joined the Group in February 1999 and was appointed as a director of Fujian Meike in 1999. She has also been the manager of Fujian Meike starting from February 1999 and was then appointed as the deputy general manager since February 2003. In August 2007, Ms. Ding was appointed as the general manager of Fujian Meike. Ms. Ding is a director of Fujian Meike which is a subsidiary of the Company. Ms. Ding Xueleng is Mr. Ding Siqiang's wife.

Mr. Jiang Wei, aged 47, was appointed as an executive Director of the Company on 25 October 2016. He is the managing director of Gravity Pictures since September 2013. Gravity Pictures has successfully produced and distributed local films including Black & White Episode 2, Fleet of Time, Somewhere Only We Know and Let's Get Married etc. Mr. Jiang was formerly the chief representative of Great China for EDKO Films Limited ("EDKO Films") since June 2001, and general manager of EDKO (Beijing) Films Limited from 2005 to September 2013, distributing films of EDKO as well as Universal Pictures titles in mainland China. Meanwhile, Mr. Jiang has been the vice president of Urban Cinema Branch of China Film Distribution and Projection Association. Mr. Jiang has participated in the production and taken charge of the distribution of local productions including Fearless, Kung Fu Hustle, Secret, Lust, Caution, The Mummy: Tomb of the Dragon Emperor, Sophie's Revenge, Ocean Heaven, Cold War and Finding Mr. Right. During his days in EDKO Films, Mr. Jiang also led the distribution of Slumdog Millionaire, Sanctum, Three Idiots and Universal titles in mainland China such as Mr. Bean's Holiday, The Bourne Ultimatum, The Bourne Legacy, Fast Five, Fast & Furious 6, and Battleship etc. Prior to EDKO Films, Mr. Jiang had worked at Sony from April 1994 to June 2001. In 1997, he started taking charge of the distribution of Sony Pictures in mainland China, where he participated in the development and distribution of the celebrated hit Crouching Tiger, Hidden Dragon.

Miss Lok Yee Ling Virginia, aged 59, was appointed as an executive Director of the Company on 29 January 2016. She holds directorships in a number of the subsidiaries of the Company. She is currently an Assistant General Manager (Talent Management and Development) of TVB. She first joined TVB in November 2003 as Assistant Controller (Talent), and was promoted to Deputy Controller (Production Resources) in May 2004 and Controller (Production Resources) in January 2008, and to her current position in July 2016. Miss Lok has had over 35 years of experience in TV drama production, artist management, production and distribution of motion pictures and the media industry in Hong Kong. From 1978 to 1982, Miss Lok started to work as assistant director (Drama) in Commercial Television and Rediffusion Television Limited ("RTV") and was promoted to director (Drama) in RTV. During this period, she also worked as line producer and production manager for a number of movies. From 1983 to 1993, Miss Lok took up the positions of line producer and executive producer in sizable movie production companies, including Shaw Brothers (Hong Kong) Limited. From 2009 to 2015, while serving as an executive of TVB, she also worked as executive producer and producer on a number of major movie productions. With years of experience in motion pictures, Miss Lok has produced more than 40 titles, including a number of major box office hits, such as Let's Make Laugh（表錯七日情）, Love in a Fallen City（傾城之戀）, To Be Number One（跛豪）, Prince Charming（青蛙王子）, Turning Point（Laughing Gor之變節）and 72 Tenants of Prosperity（72家租客）. Recent productions include Line Walker（使徒行者）and Triumph in the Skies（衝上雲霄）.

NON-EXECUTIVE DIRECTOR

Mr. Hui To Thomas, aged 44, was appointed as a non-executive Director of the Company on 25 October 2016. He is the president, chief strategy officer and an executive director of CMC Holdings. Mr. Hui is also a non-executive director of TVB, a company listed on the main board of the Stock Exchange. Mr. Hui was formerly the managing director of Gravity Corporation, a media holding company. Prior to that, Mr. Hui was an independent non-executive director of KingSoft Corporation Limited which is listed on the main board of the Stock Exchange. Before that, Mr. Hui was the president, chief operation officer and an executive director of GigaMedia Limited, a company listed on the NASDAQ stock market. Prior to that, Mr. Hui also was a non-executive director of JC Entertainment Corporation, a Korean online game company listed on the KOSDAQ stock market. He was an executive director in the investment banking division of Goldman Sachs (Asia) L.L.C., Hong Kong, and an investment banker at Merrill Lynch & Co. as well as serving as a management consultant at McKinsey & Company. Mr. Hui holds a Master's Degree of Engineering in Electrical Engineering from Cornell University and a Bachelor's Degree of Science in Electrical Engineering from the University of Wisconsin, Madison.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pang Hong, aged 63, was appointed as an independent non-executive Director of the Company on 23 June 2015. He is also the chairman of the Nomination Committee, a member of the Audit Committee, and a member of the Remuneration Committee. He had worked for various enterprises and government departments in PRC for over 20 years. He has substantial knowledge of the investment environment in PRC and has extensive experience in the management of Chinese companies. He is currently the independent non-executive directors of SMI Holdings Group Limited and Sino Haijing Holdings Limited, both companies listed on the main board of the Stock Exchange.

Mr. Poon Kwok Hing Albert, aged 55, was appointed as an independent non-executive Director of the Company on 23 June 2015. He is also the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee. He is currently the independent non-executive directors of the Rosedale Hotel Holdings Limited and Master Glory Group Limited (formerly known as Hanny Holdings Limited), both companies listed on the main board of the Stock Exchange. Mr. Poon graduated from the University of Bath, United Kingdom with a Master of Science degree in Business Administration. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Miss Szeto Wai Ling Virginia, aged 54, was appointed as an independent non-executive Director of the Company on 29 January 2016. She is also the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company. She is a practicing solicitor in Hong Kong and a solicitor of the Supreme Court of England and Wales. She is currently the sole practitioner of Szeto Virginia & Co, Solicitors. She holds a Bachelor of Laws Degree from Oxford Brookes University and a Master of Science Degree in Criminal Justice Policy from The London School of Economics and Political Science. Miss Szeto is currently the chairman and a non-executive director of Larry Jewelry International Company Limited from 3 October 2016, a company whose shares are listed on the GEM board of the Stock Exchange. She is also an independent non-executive director of RM Group Holdings Limited from 15 April 2016. Additionally, she was a former executive director of Sino Haijing Holdings Limited from 19 March 2015 to 4 July 2016. She was also a former independent non-executive director of SMI Culture Group Holdings Limited (former name: Qin Jia Yuan Media Services Company Limited) from 31 August 2012 to 27 August 2013. Miss Szeto was the Head of Legal Department of New World Development Company Limited. All three companies are listed on the main board of the Stock Exchange.

ALTERNATE DIRECTOR

Mr. Gu Jiong, aged 44, was appointed as an alternate Director to Mr. Hui To Thomas, a non-executive Director of the Company with effect from 25 October 2016. He is the Authorised Representative of the Company since 29 January 2016. Mr. Gu was a non-executive Director of the Company between 29 January 2016 and 25 October 2016. He has been the chief financial officer of CMC Holdings since October 2015 and a Director of CMC Capital Partners since September 2013. Prior to joining CMC Capital Partners, Mr. Gu served as the chief financial officer in BesTV New Media Co., Ltd. from January 2010 to September 2013. He worked in UTStarcom Inc. from April 2004 to December 2009 and was the corporate controller when he left the company. He also worked in Ernst & Young Shanghai office from July 1995 to April 2004 and was a senior manager of the audit department when he left the firm. Mr. Gu is currently an independent non-executive director of Xinming China Holdings Limited and Chen Xing Development Holdings Limited, both companies listed on the main board of the Stock Exchange. Mr. Gu has been a non-practicing member of the Chinese Institute of Certified Public Accountants since April 2004. Mr. Gu obtained a bachelor degree in finance management from Fudan University in the PRC in July 1995.

SENIOR MANAGEMENT

Miss Chan Yin Yi Annie, was appointed as the Company Secretary and Authorised Representative of the Company on 29 January 2016. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

The Directors are pleased to present to the shareholders this annual report and the audited consolidated financial statements for the Year.

THE COMPANY

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 25 June 2009. The shares of the Company has been listed on the Main Board of the Stock Exchange since 1 February 2010 (the "Listing Date").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in Note 35 to the consolidated financial statements in this annual report.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, and the compliance with relevant laws and regulations, as well as the Group's environmental policies, relationship with stakeholders and performance which have a significant impact on the Company, can be found in the Management Discussion and Analysis set out on pages 5 to 12 and the Chairman's Statements as set out on pages 3 to 4 of this annual report. Such discussions forms part of this Report of the Directors.

DIVIDEND

No interim dividend was declared and no final dividend was recommended by the Board for the year ended 31 December 2016.

FINANCIAL RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 56 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 25 May 2017 to Friday, 2 June 2017 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 24 May 2017.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 15 to the consolidated financial statements in this annual report.

BANK BORROWINGS

Details of bank borrowings of the Group as at 31 December 2016 are set out in Note 24 to the consolidated financial statements in this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements in this annual report is set out on pages 119 to 120. This summary does not form part of the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the Company's paid up capital for the Year are set out in Note 26 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

TRANSFER TO RESERVES

Loss attributable to equity shareholders, before dividends, of RMB31,251,000 (2015: loss attributable to equity shareholders RMB105,873,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity in this annual report.

RELATED PARTIES TRANSACTIONS

Details of the significant related party transactions entered into by the Group in the normal course of business during the year ended 31 December 2016 are disclosed in Note 33 to the consolidated financial statements in this annual report. The Directors consider that those material related party transactions did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 75.4% of the total sales for the Year and sales to the largest customer included therein amounted to 27.3% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for approximately 50.8% of the total purchases for the Year and purchase from the Group's largest supplier included therein amounted to 16.2% of the total purchases for the Year.

Apart from TVB which was deemed to be interested in the Company through its interest in Shine Investment, which is one of the Group's five largest suppliers, none of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the other four largest suppliers and the Group's five largest customers.

DIRECTORS' REPORT

DIRECTORS

During the Year and up to the date of this annual report, the Directors are:

Chairman and Non-executive Director

Mr. Li Ruigang (appointed as Chairman and non-executive Director on 25 October 2016)

Executive Directors

Mr. Ding Siqiang (re-designated from Chairman, President and executive Director to executive Director on 29 January 2016)
Ms. Ding Xueleng
Mr. Jiang Wei (appointed on 25 October 2016)
Miss Lok Yee Ling Virginia (appointed on 29 January 2016)

Non-executive Director

Mr. Hui To Thomas (appointed on 25 October 2016)

Independent non-executive Directors

Mr. Pang Hong
Mr. Poon Kwok Hing Albert
Miss Szeto Wai Ling Virginia (appointed on 29 January 2016)

Alternate Director

Mr. Gu Jiong (appointed as alternative Director to Mr. Hui To Thomas on 25 October 2016)

Resigned Directors

Ms. Qui Qiuxing (resigned on 29 January 2016)
Mr. Li Dongxing (resigned on 29 January 2016)
Mr. Lau Yu Hang (resigned on 29 January 2016)
Dr. Allan Yap (re-designated as Chairman on 29 January 2016 and resigned as Chairman and executive Director on 25 October 2016)
Mr. Wong Ka Ching (resigned on 25 October 2016)
Mr. Gu Jiong (appointed as non-executive Director on 29 January 2016 and resigned as non-executive Director on 25 October 2016)

In accordance with Article 83 of the Article of Association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and any Director appointed by the Board as an additional Director shall hold office only until the next following annual general meeting of the Company.

Pursuant to Article 84 of the Articles of the Association of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation.

Mr. Li Ruigang, Mr. Jiang Wei and Mr. Hui To Thomas, who were appointed by the Board as Directors of the Company in 2016 and held offices as Directors of the Company until 2017 EGM were successfully re-elected at the 2017 EGM.

Mr. Pang Hong, Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia will retire as Directors at the forthcoming annual general meeting, and being eligible, will offer themselves for re-election at the annual general meeting.

Details of the appointment, re-election and removal of the Directors and their service contracts with the Company are set out in the section headed "Appointment, re-election and removal of Directors" in the Corporate Governance Report on pages 15 to 16 of this annual report.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BOARD COMMITTEES

The responsibilities of the Audit Committee, the Remuneration Committee and the Nomination Committee and their work done during the Year are set out in the Corporate Governance Report on pages 20 to 21 of this annual report.

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 31 to 34 of this annual report.

DIRECTORS EMOLUMENTS

Details of the Directors' emoluments are set out in Note 11 to the consolidated financial statements in this annual report. The Directors' remuneration are determined with reference to his/her duties and responsibilities within the Company.

INTERESTS OF DIRECTORS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

During the Year, none of the Directors had a material interest, whether directly or indirectly, in any transaction, arrangement and contract of significance to which the Company or any of its subsidiaries or affiliates was a party.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the date of this annual report, the following Directors (including their respective close associates) were considered to have interests in businesses which may compete, either directly or indirectly, with the businesses of the Group, particulars of which are set out below:

Name of Director	Name of the entities which may compete with the businesses of the Group	Description of businesses of the entities which may compete with the businesses of the Group	Nature of Director's interests in the entities
Mr. Li Ruigang	CMC Holdings Limited ("CMC Holdings")	Film investment and artiste management	Ultimate controlling shareholder, chairman and director
	Huaren Wenhua Limited ("Huaren Wenhua")	Film investment and artiste management	Ultimate controlling shareholder
	Flagship Entertainment Group Limited	Film investment, production and distribution	Ultimate controlling shareholder
	Television Broadcasts Limited ("TVB")	Film investment and artiste management	Vice chairman and non-executive director
Mr. Hui To Thomas	CMC Holdings	Film investment and artiste management	President, chief strategy officer and executive director
	Huaren Wenhua	Film investment and artiste management	Executive director
	Flagship Entertainment Group Limited	Film investment production and distribution	Non-executive director
	TVB	Film investment and artiste management	Non-executive director
Mr. Jiang Wei	Gravity Pictures Film Production Company	Film production and distribution	Director
Miss Lok Yee Ling Virginia	TVB	Film investment and artiste management	Assistant general manager (talent management and development)

The Directors consider that, having taken into account the followings, the interest of the Company and its shareholders are adequately safeguarded:

(a) the Group is capable of, and does carry on its business independently of, and on an arm's length basis, with the competing business of these company;

(b) a member of the investment committee or the artiste management team has a conflict of interest in a transaction being reviewed due to his or her relationship with the counterparty, that transaction shall be reviewed by other members who have no such conflict, thus will ensure business opportunities and performance are independently assessed and reviewed from time to time; and

(c) the relevant Directors are fully aware of their fiduciary duties to the Group and will abstain from voting on any mater where these is or may be conflict of interest.

In addition, since all the major and important corporate actions of the Company are and will be fully considered and determined by the Board, and any Director who is or is deemed to be interested in any proposed transaction will have to fully disclose his/her interest and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the Articles and the Listing Rules from time to time, the Board is of the view the relevant Directors interest in potentially competing business will not prejudice the interest of the Group.

Save as disclosed above, as at the date of this annual report, so far as the Directors were aware, none of the Directors, the proposed Directors or their respective close associates (as defined in the Listing Rules) had any interest in other business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

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 in existence during the Year.

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in the PRC and a Mandatory Provident Fund Scheme for the employee in Hong Kong. Particulars of these retirement plans are set out in Note 33 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2016 amounted to RMB421.2 million.

INTEREST BEARING BANK BORROWINGS

Particulars of interest bearing bank loans of the Group as at 31 December 2016 are set out in Note 24 to the financial statements.

DIRECTOR AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITION IN THE SHARES AND IN THE UNDERLYING SHARES

Name of Director	**Capacity/Nature**	**No. of shares/ underlying shares interested**	**Approximately percentage of shareholders** (Note 1)
Mr. Li Ruigang	Interest of controlled corporation	425,000,000 (Note 2)	29,94%
Mr. Ding Siqiang	Beneficial owner	4,034,000	0.28%
Ms. Ding Xueleng ("Ms. Ding")	Interest of spouse	4,034,000 (Note 3)	0.28%

Notes:

1. The percentage is calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2016, which was 1,419,610,000.

2. Mr. Li Ruigang was interested in such 425,000,000 Shares through certain corporations controlled directly or indirectly by him. Shine Investment Limited ("Shine Investment"), Shine Holdings Cayman Limited ("Shine Holdings"), CMC Shine Acquisition Limited ("CMC Shine Acquisition"), CMC Shine Holdings Limited ("CMC Shine Holdings"), CMC Holdings and Gold Pioneer Worldwide Limited ("Gold Pioneer") were the substantial shareholders of the Company, Shine Investment was interested in such 425,000,000 Shares. Shine Investment was 85% owned by Shine Holdings which was 100% owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Holdings. CMC Holdings was 90.90% owned by Gold Pioneer, so each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Holdings and Gold Pioneer was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Gold Pioneer was 100% owned by Mr. Li Ruigang.

3. Ms. Ding is the spouse of Mr. Ding Siqiang. She is deemed or taken to be interested in all the Shares that Mr. Ding is interested in.

Apart from the foregoing, none of the Directors and chief executive of the Company or any of their spouses or children under 18 years of age has interests or short positions in shares underlying shares or debentures of the Company, any of its holding company, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, not being Directors or chief executive of the Company had interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

LONG POSITION IN THE SHARES

Name of substantial shareholders	**Capacity**	**No. of shares held**	**Percentage of issued share capital of the Company** (Note 4)
Gold Pioneer	Interest of controlled corporation	425,000,000 (Note 5)	29.94%
CMC Holdings	Interest of controlled corporation	425,000,000 (Note 5)	29.94%
CMC Shine Holdings	Interest of controlled corporation	425,000,000 (Note 5)	29.94%
CMC Shine Acquisition	Interest of controlled corporation	425,000,000 (Note 5)	29.94%
Shine Holdings	Interest of controlled corporation	425,000,000 (Notes 5 and 7)	29.94%
Shine Investment	Beneficial owner	425,000,000 (Notes 5 and 7)	29.94%
TVB	Deemed interest	425,000,000 (Notes 5 and 6)	29.94%
Mr. Xie Qing Yu	Beneficial owner	88,052,000 (Note 8)	6.20%

Notes:

4. The percentage is calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2016, which was 1,419,610,000.

5. Shine Investment, Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Holdings and Gold Pioneer were the substantial shareholders of the Company. Shine Investment was interested in such 425,000,000 Shares. Shine Investment was 85% owned by Shine Holdings which was 100% owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Holdings. CMC Holdings was 90.90% owned by Gold Pioneer, so each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Holdings and Gold Pioneer was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Gold Pioneer was 100% owned by Mr. Li Ruigang. Mr. Li Ruigang was interested in such 425,000,000 Shares through the above corporations controlled directly or indirectly by him.

6. TVB was deemed to be interested in such 425,000,000 Shares through its interest in Shine Investment (also see Note 7 below).

7. Shine Investment, Shine Holdings and TVB were parties of the agreement (the "Agreement") to hold the interest in such 425,000,000 Shares. The Agreement was the one to which section 317 of the SFO applied.

8. Mr. Xie Qing Yu was interested in such 88,052,000 Shares.

Save as disclosed above, as at 31 December 2016, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision 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 pursuant to Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the Section headed "Directors' interests or short positions in shares, underlying shares and debentures" above, at no time during the Year was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

As to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (hereinafter in this paragraph, the "Scheme") on 6 January 2010 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the "Shares") to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on the Listing Date and shall be valid and effective for a period of ten years commencing on 6 January 2010, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1. The exercise price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue on the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issue at the time.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

During the Year, there are no share options granted, cancelled nor lapsed.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group employed approximately 528 full-time staff members. The basic remunerations of the employees are determined with reference to the industry's remuneration benchmark, the employees' experience and their performance, and equal opportunities will be offered to all staff. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits required by laws, the Group also provides discretionary bonuses based upon the Group's results and the individual performance of the staff.

The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for many years.

The Group adopted a share option scheme as incentive for its employees, further details of which are set out in the paragraph headed "Share Option Scheme" above.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 13 to 26 of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from the independent non-executive Directors confirmations of independence pursuant to Rule 3.13 of the Listing Rules and considers that all the independent non-executive Directors are independent of the Company.

PUBLIC FLOAT

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

EVENT AFTER REPORTING PERIOD

Save as disclosed in Note 36 to the consolidated financial statements in this annual report, there are no material events after reporting period as at the date of this annual report.

AUDITOR

SHINEWING (HK) CPA Limited will retire and being eligible, offer themselves for reappointment at the forthcoming annual general meeting. A resolution for the reappointment of SHINEWING (HK) CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting. There has been no change in the auditors of Company in any of the preceding three years.

By Order of the Board

Mr. Li Ruigang
Chairman
Hong Kong, 29 March 2017

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF SHAW BROTHERS HOLDINGS LIMITED
邵氏兄弟控股有限公司
(Formerly known as Meike International Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shaw Brothers Holdings Limited (formerly known as Meike International Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 118, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(continued)*

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition – Sales to distributors
- Revenue recognition – Films investment income
- Impairment of investments in films
- Impairment of property, plant and equipment
- Impairment of loan receivable
- Impairment of deposit paid for potential acquisition
- Impairment of inventories
- Impairment of trade receivables

REVENUE RECOGNITION – SALES TO DISTRIBUTORS

Refer to Note 5 to the consolidated financial statements and the significant accounting policies in Note 3.

The key audit matter	**How the matter was addressed in our audit**
Revenue from distributors principally comprises revenue from sales of sporting goods. Once the products are transported from the designated warehouse by the Group, the risk and rewards of ownership of the goods are considered to have been transferred to the distributor and revenue is recognised at that point.	Our audit procedures were designed to reassess the accuracy and the timing of recognised as revenue. These procedures included testing controls over the revenue cycle and substantive analytical procedures on revenue generated.
We have identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and because there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.	We inspected underlying documentation for any journal entries which were considered to be material or met other specified risked-based criteria.

KEY AUDIT MATTERS *(continued)*

REVENUE RECOGNITION – FILMS INVESTMENT INCOME

Refer to Note 5 to the consolidated financial statements and the significant accounting policies in Note 3.

The key audit matter	How the matter was addressed in our audit
The Group's films investment income is recognised when the film is shown and the right to receive payment is established. We have identified revenue recognition as a key audit matter relating to the accuracy of the films investment income and the timing of revenue recognition after the release of the films. The management is required to determine the revenue recognition with reference to each contractual arrangement with production houses.	Our audit procedures were designed to reassess the accuracy and timing recognised as revenue. Substantive analytical procedures on revenue generated were adopted. We inspected underlying documentation for any journal entries which were considered to be material or met other specified risked-based criteria. In addition, we have assessed the management judgement of revenue recognition based on knowledge on films industry and the Group's historical experience.

IMPAIRMENT OF INVESTMENTS IN FILMS

Refer to Note 17 to the consolidated financial statements and the significant accounting policies in Note 3

The key audit matter	How the matter was addressed in our audit
The recoverability of the investments in films is dependent on profitability of the films. There is a risk of potential loss from the investments in films and the carrying amount may be overstated. We have identified impairment of investments in films as a key audit matter because the estimations on which are based on a significant degree of management judgement and may be subject to management bias.	Our audit procedures were designed to reassess the management's assessment on impairment and significant assumptions. We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessing the management's impairment testing. We have reassessed the assumptions and critical judgement used by the management by assessing the reliability of the management's past estimates.

KEY AUDIT MATTERS *(continued)*

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to Note 15 to the consolidated financial statements and the significant accounting policies in Note 3.

The key audit matter

The Group has property, plant and equipment for which an impairment of approximately RMB11,174,000 has been made to reduce the carrying amounts of certain property, plant and equipment.

The Group's assessment on impairment of property, plant and equipment is a judgemental process which requires estimates concerning the forecast future cash flows associated with the assets held, the discount rates and the growth rate of revenue and costs to be applied in determining the value in use. The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input the valuation model may result in significant financial impact.

The extent of judgement and the size of the property, plant and equipment resulted in this matter being identified as a key audit matter.

How the matter was addressed in our audit

In order to address this matter in our audit, we obtained management's assessment prepared by the independent external valuer and reassessed the reasonableness of the selection of valuation model, adoption of key assumptions and input data. In particular, we tested the future cash flow forecast on whether it is agreed to the budget approved by the board of directors and compared the budget with actual results available up to the report date. We also reassessed the appropriateness of the assumptions, including the sales growth rates and gross margin, against latest market expectations.

We also reassessed the discount rate employed in the calculation of value in use by reviewing its basis of calculation and comparing its input data to market sources.

As any changes in these assumptions and input to valuation model may result in significant financial impact, we tested management's sensitivity analysis in relation to the key inputs to the impairment assessment which included changes in the sales growth rate, gross margin and discount rate employed.

KEY AUDIT MATTERS *(continued)*

IMPAIRMENT OF LOAN RECEIVABLE

Refer to Note 18 to the consolidated financial statements and the significant accounting policies in Note 3.

The key audit matter	How the matter was addressed in our audit
The Group has a loan receivable to an independent third party. No impairment loss on the loan receivable was recognised. It represented management's best estimates of the recoverability on the amount. We have identified impairment of loan receivable as a key audit matter because the recoverable amount is based on a significant degree of management judgement and may be subject to management bias.	Our audit procedures were designed to review the management's assessment of the indicators of impairment and reassess the reasonableness of the methods used to estimate the possible impairment on loan receivable. We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessing the management's impairment testing. We have reassessed the assumptions and critical judgement used by the management by assessing the reliability of the management's past estimates and the creditworthiness of the debtor.

IMPAIRMENT OF DEPOSIT PAID FOR POTENTIAL ACQUISITION

Refer to Note 25 to the consolidated financial statements and the significant accounting policies in Note 3.

The key audit matter	How the matter was addressed in our audit
The Group has a refundable deposit paid for potential acquisition. The management believed the acquisition would be completed in a reasonable time frame and deposit paid would be deducted from the consideration to be paid by the Company for the proposed acquisition. The proposed acquisition is still undergoing at the date of the report and the completion of the proposed acquisition is uncertain. No impairment loss on the deposit paid for potential acquisition was recognised. It represented management's best estimates of the recoverability on the amount. We have identified the deposit paid for potential acquisition as a key audit matter relating to the recoverability which is based on significant degree of management judgement and may be subject to management bias.	Our audit procedures were designed to review the management's assessed on indicators of recoverability and reassess the reasonableness of the methods and assumptions used to estimate the possible impairment on deposit paid for potential acquisition. We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessing the management's impairment testing. We have reassessed the assumptions and critical judgment used by the management by assessing the reliability of the management's past estimates.

KEY AUDIT MATTERS *(continued)*

IMPAIRMENT OF INVENTORIES

Refer to Note 19 to the consolidated financial statements and the significant accounting policies in Note 3.

The key audit matter	How the matter was addressed in our audit
The continued volatility in footwear and apparel products price to which the Group is significantly exposed and the Group's suspension or reduction in several operations are factors which heighten the risk of impairment associated with the Group's inventories. The impairment of the inventories is dependent on the management assumptions. We have identified impairment of inventories as a key audit matter because the estimates on which these provisions are based on a significant degree of management judgement and may be subject to management bias.	Our audit procedures were designed to assess the process, methodology and assumptions used to develop the provision for slow moving inventories. We compared the most recent prices achieved on sales across the product lines to test whether these exceeded the carrying value of inventories at year end. We have reassessed the assumptions and critical judgement used by the management by assessing the reliability of the management's past estimates and taking into account the subsequent usage. We evaluated, amongst others, the analyses and assessments made by management with respect to slow moving and obsolete stock and the expected demand and market value related to raw materials and spare parts.

IMPAIRMENT OF TRADE RECEIVABLES

Refer to Note 20 to the consolidated financial statements and the significant accounting policies in Note 3.

The key audit matter	How the matter was addressed in our audit
We have identified impairment on trade receivables as a key audit matter because the estimates on which these provisions are based on a significant degree of management judgement and may be subject to management bias. These conclusions are dependent upon management judgement in respect of assessing the ultimate realisation of these receivables.	Our audit procedures were designed to reassess the application of the Group's impairment assessment on trade receivables and the management estimations or judgements on the recoverability on the outstanding balances. We have reassessed the assumptions and critical judgment used by the management with reference to the subsequent settlement of the trade receivables, detailed analysis of ageing of receivables, assessment of significant overdue individual trade receivables and creditworthiness of major customers.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists.

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Chuen Fai.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
29 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Revenue	5	**187,633**	147,735
Cost of sales		**(158,173)**	(139,503)
Gross profit		**29,460**	8,232
Other income	7	**15,119**	13,711
Impairment loss recognised in respect of property, plant and equipment	15	**(11,174)**	(6,458)
Impairment loss recognised in respect of trade receivables	20	**(19,373)**	(61,017)
Selling and distribution expenses		**(3,061)**	(7,968)
Administrative expenses		**(38,388)**	(34,624)
Other operating expenses		**(5,933)**	(4,045)
Finance costs	8	**(5,460)**	(13,704)
Loss before tax		**(38,810)**	(105,873)
Income tax	9	**–**	–
Loss and total comprehensive expense for the year	10	**(38,810)**	(105,873)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(31,251)**	(105,873)
Non-controlling interests		**(7,559)**	–
		(38,810)	(105,873)
Loss per share			
Basic and diluted (RMB cent)	13	**(2.322)**	(8.937)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	15	**55,358**	68,951
Prepaid lease payments	16	**10,372**	10,674
Loan receivable	18	**–**	20,380
		65,730	100,005
Current assets			
Inventories	19	**17,010**	16,361
Loan receivable	18	**20,380**	–
Trade and other receivables	20	**101,888**	114,670
Deposit paid for potential acquisition	25	**25,836**	–
Investments in films	17	**46,205**	24,456
Prepaid lease payments	16	**297**	297
Pledged bank deposit	21	**–**	5,000
Short-term bank deposits	21	**–**	36,165
Bank balances and cash	21	**344,237**	98,811
		555,853	295,760
Current liabilities			
Trade and other payables	22	**26,924**	28,830
Amounts due to related companies	23	**28,496**	1,280
Secured bank borrowings	24	**121,800**	117,300
		177,220	147,410
Net current assets		**378,633**	148,350
		444,363	248,355

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Capital and reserves			
Share capital	26	**12,322**	10,355
Reserves		**401,517**	238,000
Equity attributable to owners of the Company		**413,839**	248,355
Non-controlling interests		**30,524**	–
Total equity		**444,363**	248,355

The consolidated financial statements on pages 56 to 118 were approved and authorised for issue by the board of directors on 29 March 2017 and are signed on its behalf by:

Mr. Jiang Wei
Director

Miss Lok Yee Ling Virginia
Director

	Notes	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (Note a)	Other reserves RMB'000 (Note b)	Share options reserve RMB'000	Accumulated loss RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015		10,355	561,252	47,382	136,801	6,876	(408,438)	354,228	–	354,228
Loss for the year		–	–	–	–	–	(105,873)	(105,873)	–	(105,873)
Share options cancelled		–	–	–	–	(6,876)	6,876	–	–	–
At 31 December 2015		10,355	561,252	47,382	136,801	–	(507,435)	248,355	–	248,355
At 1 January 2016		**10,355**	**561,252**	**47,382**	**136,801**	**–**	**(507,435)**	**248,355**	**–**	**248,355**
Loss for the year		**-**	**-**	**-**	**-**	**–**	**(31,251)**	**(31,251)**	**(7,559)**	**(38,810)**
Appropriation to statutory reserve		**-**	**-**	**40**	**-**	**–**	**(40)**	**-**	**-**	**-**
Disposal of partial interest in a subsidiary without losing control	35(B)	**-**	**-**	**-**	**5,199**	**–**	**-**	**5,199**	**38,083**	**43,282**
Issue of shares	26	**1,967**	**194,634**	**-**	**-**	**–**	**-**	**196,601**	**-**	**196,601**
Transaction costs attributable to issue of shares		**-**	**(5,065)**	**-**	**-**	**–**	**-**	**(5,065)**	**-**	**(5,065)**
At 31 December 2016		**12,322**	**750,821**	**47,422**	**142,000**	**–**	**(538,726)**	**413,839**	**30,524**	**444,363**

Notes:

(a) Statutory reserve

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the People's Republic of China (the "PRC"). This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(b) Other reserves

The other reserves comprise the reserves arising from changes in ownership of a subsidiary without losing control and the cumulative net non-controlling interests upon the transfer of interests and the reserves arising from corporate reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(38,810)**	(105,873)
Adjustments for:		
Finance costs	**5,460**	13,704
Interests income	**(2,567)**	(3,018)
Allowance for inventories	**–**	5,238
Amortisation of prepaid lease payments	**302**	978
Depreciation of property, plant and equipment	**3,632**	4,871
Reversal of impairment loss recognised in respect of trade receivables	**(10,896)**	(9,164)
Impairment loss recognised in respect of trade receivables	**19,373**	61,017
Impairment loss recognised in respect of other prepayment	**4,566**	–
Impairment loss recognised in respect of property, plant and equipment	**11,174**	6,458
Gain on disposal of property, plant and equipment	**(10)**	(25)
Gain on disposal of a subsidiary	**–**	(1,115)
Government grants	**(43)**	(40)
Operating cash flows before movements in working capital	**(7,819)**	(26,969)
Increase in films investment	**(21,749)**	–
(Increase) decrease in inventories	**(649)**	17,419
Increase in trade and other receivables	**(261)**	(59,592)
(Decrease) increase in trade and other payables	**(1,906)**	5,171
Increase in amount due to a related company	**26,238**	–
Cash used in operations	**(6,146)**	(63,971)
Income tax paid	**–**	–
NET CASH USED IN OPERATING ACTIVITIES	**(6,146)**	(63,971)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(1,213)**	(1,782)
Interests received	**2,567**	3,018
Proceeds on disposal of property, plant and equipment	**10**	25
Net proceeds on disposal of partial interest in a subsidiary (Note 35 (B))	**43,282**	(14,178)
Placement of short-term bank deposits maturing beyond three months	**(491,865)**	(83,358)
Withdrawal of short-term bank deposits maturing beyond three months	**528,030**	130,736
Deposit paid for potential acquisition	**(25,836)**	–
Placement of pledged bank deposit	**–**	(13,325)
Withdrawal of pledged bank deposit	**5,000**	9,915
NET CASH GENERATED FROM INVESTING ACTIVITIES	**59,975**	31,051

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(136,900)**	(177,480)
Proceeds from issue of shares	**196,601**	–
Transaction cost for issue of shares	**(5,065)**	–
Interests paid	**(5,460)**	(13,704)
New bank borrowings raised	**141,400**	180,300
Advance from a related company	**978**	784
Government grants	**43**	40
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**191,597**	(10,060)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**245,426**	(42,980)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**98,811**	141,791
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**344,237**	98,811

1. GENERAL INFORMATION

Shaw Brothers Holdings Limited (formerly known as Meike International Holdings Limited) (the "Company") was incorporated in the Cayman Islands, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 25 June 2009 and its shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1 February 2010. The substantial shareholder of the Company is Mr. Li Ruigang. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and trading of sporting goods, investments in films and artiste and event management. The Company acts as an investment holding company and engaged in the film investments and artiste and event management. The principal activities of its subsidiaries are set out in Note 35.

The consolidated financial statements are presented in thousands of units of Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE *(continued)*

NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendment to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 Cycle[5]
Amendment to HKAS 7	Disclosure Initiative[1]
Amendment to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarification to HKFRS 15[2]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective date not yet been determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, appropriate.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for HKFRS 9 to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE *(continued)*

HKFRS 9 (2014) FINANCIAL INSTRUMENTS *(continued)*

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE *(continued)*

HKFRS 9 (2014) FINANCIAL INSTRUMENTS *(continued)*

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. HKFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. It is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until a detailed review has been completed.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE *(continued)*

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS *(continued)*

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

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective. HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. More disclosures relating to revenue are also required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detail review is completed.

HKFRS 16 LEASES

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 "Property, Plant and Equipment", while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE *(continued)*

HKFRS 16 LEASES *(continued)*

HKFRS 16 will supersede the current lease standards including HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 "Revenue from Contracts with Customers" at or before the date of initial application of HKFRS 16.

As at 31 December 2016, the group has non-cancellable operating lease commitments of RMB993,000 (2015: RMB150,000) as disclosed in Note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

AMENDMENT TO HKAS 7 DISCLOSURE INITIATIVE

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 7 will result in additional disclosures on the Group's financing activities including placing share and bank borrowings, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and service.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through:

– a contractual arrangement with other vote holders;

– rights arising from other contractual arrangements;

– the Group’s voting rights and potential voting rights; or

– a combination of the above, based on all relevant facts and circumstances

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION *(continued)*

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the no controlling interests having a deficit balance

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including buildings held for own use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

PREPAID LEASE PAYMENTS ON LAND USE RIGHT

Payment for obtaining land use right is considered as prepaid operating lease payment. Land use rights are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to consolidated statement of profit or loss and other comprehensive income over the period of the rights or the term of the respective enterprise to which the land use rights are granted, whichever is the shorter, using the straight-line method.

Prepaid lease payments represented land use rights held for use in the production or supply of goods, or for administrative purposes.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivable, trade and other receivables, deposit paid for potential acquisition, investments in films, pledged bank deposit, short-term bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loan receivable, trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivable, trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan receivable, trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to related companies and secured bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial liabilities and equity instruments *(continued)*

Derecognition

The Group derecognises financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable for goods sold and service rendered in the normal course of business, net of sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risk and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from investments in films is recognised when the Group's entitlement to such payments has been established, subject to the terms of the relevant agreements.

Revenue from provision of service included artiste and event management services are recognised when the services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION *(continued)*

The Group's accounting policy for recognition of revenue from operating lease is disclosed in the accounting policy for leasing below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets until such time as the asserts are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

IMPAIRMENT LOSSES ON TANGIBLE ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT LOSSES ON TANGIBLE ASSETS *(continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant leases.

LEASEHOLD LAND AND BUILDING

When a lease includes both land and buildings elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASEHOLD LAND AND BUILDING *(continued)*

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

RETIREMENT BENEFIT COSTS

Payments to defined the Mandatory Provident Fund ("MPF") Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

SHORT-TERM EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION *(continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of the assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control in a subsidiary

As per Note 35, Tailor Made Production Limited is a subsidiary of the Group even through the Group has only a 40% ownership interest and has only 40% of the voting rights in Tailor Made Production Limited. Tailor Made Production Limited is a private company incorporated in Hong Kong. The Group has had 40% ownership interest when it is incorporated at 31 March 2016 and the remaining 60% of the ownership interests are held by three shareholders that are not related to the Group.

The directors of the Company assessed the Group's control over Tailor Made Production Limited on the basis of its practical ability to direct the relevant activities unilaterally. In making their judgement, the directors of the Company consider the Company has dominated the board of directors of Tailor Made Production Limited by four out of seven in Tailor Made Production Limited are assigned by the Group. After assessment, the directors of the Company concluded that the Group has ability to direct the relevant activities of Tailor Made Production Limited and therefore the Group has control over Tailor Made Production Limited.

Ownership of the buildings

Despite the Group has paid the full purchase consideration as detailed in Note 15, formal titles of certain of the Group's rights to the use of the buildings were not yet granted from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal title, the directors of the Company determine to recognise these buildings on the ground that they expect the legal titles being obtained in the future should have no major difficulties and the Group is in substance controlling these buildings. In the opinion of the directors of the Company, the absence of formal title to these buildings does not impair the value of the relevant assets to the Group.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation based on experience about the economic useful lives of the assets and by making reference to market prices of similar assets. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment loss on property, plant and equipment

As at 31 December 2016, the carrying amount of the property, plant and equipment was approximately RMB55,358,000, net of accumulated impairment of approximately RMB21,636,000 (2015: RMB68,951,000, net of accumulated impairment of approximately RMB10,462,000.) Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Impairment loss of RMB11,174,000 (2015: RMB6,458,000) has been recognised during the year ended 31 December 2016 as detailed set out in Note 15.

Impairment of inventories

As explained in Note 3, the Group's inventories are stated at the lower of cost and net realisable value. The directors of the Company reviews an aging analysis at the end of the reporting period, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying amount and provision for inventories in the periods in which such estimate is changed will be adjusted accordingly.

The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2016, the carrying amounts of inventories was approximately RMB17,010,000, net of accumulated allowance of approximately RMB5,238,000 was recognised for the year ended 31 December 2016. (2015: RMB16,361,000, net of accumulated allowance of approximately RMB5,238,000).

Estimated impairment loss on trade, other receivables and prepayments

The Group estimates impairment loss on trade, other receivables and prepayments based on an assessment of the recoverability of trade, other receivables and prepayments. Impairment loss are estimated where events or change in circumstances indicate that the balances may not be collectible. These estimates were based on the payment history, credit-worthiness, historical write-off experience, likelihood of collection and default or delinquency in payments. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated. As at 31 December 2016, the carrying amount of the trade receivables were approximately RMB64,826,000, net of provision of impairment loss approximately RMB143,571,000 (2015: the carrying amount of trade receivables was approximately RMB43,933,000, net of provision of impairment loss approximately RMB135,094,000). As at 31 December 2016, the carrying amount of the other receivables and prepayments were approximately RMB37,062,000, net of provision of impairment loss approximately RMB4,566,000 (2015: the carrying amount of other receivables and prepayments were approximately RMB70,737,000). During the year ended 31 December 2016, impairment loss in respect of trade receivables of approximately RMB19,373,000 (2015: RMB61,017,000) and impairment loss in respect of other prepayment of approximately RMB4,566,000 (2015: nil) were recognised in the consolidated statement of profit or loss and other comprehensive income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment loss on deposit paid for potential acquisition

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of 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). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of deposit paid for acquisition of a subsidiary is RMB25,836,000 (2015: nil).

Estimated impairment loss on loan receivable

Loan receivable is reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The directors of the Company make judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount. These estimates were based on the payment history, credit-worthiness, historical write-off experience and default or delinquency in payments. If the financial condition of loan borrower was to deteriorate, actual write-offs would be higher than estimated. As at 31 December 2016, the carrying amount of the loan receivable was approximately RMB20,380,000 (2015: RMB20,380,000). No impairment loss is recognised during the year ended 31 December 2016. (2015: nil)

Estimated impairment loss on investments in films

In assessing the recoverability of investments in films, management assesses the credibility of the counterparties, the progress of the related film production and the market condition. Management determines the provision for impairment of investments in films taking into account the estimation of cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year ended 31 December 2016, no impairment loss on the investments in films (2015: nil) was recognised in the consolidated statement of profit or loss and other comprehensive income.

Income taxes

The Group is subject to taxation in various jurisdictions. Significant judgment is required in determining the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax in the period in which such determination is made.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2016 RMB'000	2015 RMB'000
Sales of sporting goods	**108,235**	147,735
Films investment income	**44,195**	–
Artiste and event management services income	**35,203**	–
	187,633	147,735

6. SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

SEGMENT REVENUES, RESULTS, ASSETS AND LIABILITIES

The directors of the Company have chosen to organise the Group around differences in products and services. The Group is principally engaged in the manufacturing and trading of sporting goods, investments in films and artiste and event management.

During the year ended 31 December 2016, the Group commenced to engage in a new segment – Artiste and event management. It is reportable and separately disclosed as the directors of the Company consider that such information would be useful to users of the consolidated financial statements. Specifically, the Group currently organises the reportable and operating segments as follows:

(i) Manufacturing and trading – trading of sporting goods manufactured by the Group;

(ii) Investments in films – investments in production and distribution of films; and

(iii) Artiste and event management – the provision of artiste and event management services and others.

The Group's reportable segments are strategic business units that offer different products or services. They are managed separately because each business requires different technology and marketing strategies.

6. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUES AND RESULTS

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Manufacturing and trading		Investments in films		Artiste and event management		Total	
	Year ended 31 December							
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue	**108,235**	147,735	**44,195**	-	**35,203**	-	**187,633**	147,735
Segment (loss) profit	**(13,096)**	(84,090)	**8,762**	-	**(4,893)**	-	**(9,227)**	(84,090)
Unallocated income							**3,873**	3,316
Unallocated expenses							**(33,456)**	(25,099)
Loss before tax							**(38,810)**	(105,873)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment (loss) profit represents the (loss) profit incurred by each segment without allocation of interest income, finance cost and certain administrative expenses and other income. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION *(continued)*

SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2016	2015
	RMB'000	RMB'000
SEGMENT ASSETS		
Manufacturing and trading	**132,835**	208,784
Investments in films	**65,212**	24,456
Artiste and event management	**33,083**	–
Unallocated	**390,453**	162,525
Total assets	**621,583**	395,765
SEGMENT LIABILITIES		
Manufacturing and trading	**17,882**	24,550
Investments in films	**3,669**	–
Artiste and event management	**30,959**	–
Unallocated	**124,710**	122,860
Total liabilities	**177,220**	147,410

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than a loan receivable, deposit paid for potential acquisition, pledged bank deposit, short-term bank deposits, bank balances and cash and certain other receivables and prepayments as these assets are managed on a group basis; and

- all liabilities are allocated to operating segments other than bank borrowings, certain amounts due to related companies and certain other payables as these liabilities are managed on a group basis.

6. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION

	Manufacturing and trading RMB'000	Investments in films RMB'000	Artiste and event management RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2016					
Amounts included in the measure of segments results or segment assets:					
Additions to non-current assets (Note)	687	–	526	–	1,213
Amortisation of prepaid lease payments	302	–	–	–	302
Depreciation of property, plant and equipment	3,563	1	68	–	3,632
Gain on disposal of property, plant and equipment	(10)	–	–	–	(10)
Impairment loss recognised in respect of trade receivables	19,373	–	–	–	19,373
Impairment loss recognised in respect of property, plant and equipment	11,174	–	–	–	11,174
Impairment loss recognised in respect of other prepayment	–	–	4,566	–	4,566
Amounts regularly provided to the CODM but not included in the measure of segment result:					
Interest income	–	–	–	(2,567)	(2,567)
Finance cost	–	–	–	5,460	5,460

6. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION *(continued)*

	Manufacturing and trading RMB'000	Investments in films RMB'000	Artiste and event management RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2015					
Amounts included in the measure of segments results or segment assets:					
Additions to non-current assets (Note)	1,782	–	–	–	1,782
Allowance for inventories	5,238	–	–	–	5,238
Amortisation of prepaid lease payments	978	–	–	–	978
Depreciation of property, plant and equipment	4,871	–	–	–	4,871
Gain on disposal of property, plant and equipment	(25)	–	–	–	(25)
Impairment loss recognised in respect of trade receivables	61,017	–	–	–	61,017
Impairment loss recognised in respect of property, plant and equipment	6,458	–	–	–	6,458
Amounts regularly provided to the CODM but not included in the measure of segment result:					
Interest income	–	–	–	(3,018)	(3,018)
Finance cost	–	–	–	13,704	13,704

Note: Non-current assets excluded financial instruments.

6. SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

The Group's operations are located in Hong Kong and the PRC (the place of domicile of the Group's operation).

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	The PRC RMB'000	Hong Kong RMB'000	Other RMB'000	Total RMB'000
Revenue from external customers				
Year ended 31 December 2016	**101,003**	**79,398**	**7,232**	**187,633**
Year ended 31 December 2015	142,168	–	5,567	147,735
Non-current assets				
As at 31 December 2016	**65,272**	**458**	**–**	**65,730**
As at 31 December 2015	79,625	20,380	–	100,005

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2016 **RMB'000**	2015 RMB'000
Customer A[2 & 3]	**51,187**	N/A*
Customer B[1]	**37,955**	42,054
Customer C[1]	**N/A***	18,115

1 Revenue from sales of sporting goods

2 Revenue from films investments

3 Revenue from artiste and event management services income

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Government grants (Note)	43	40
Gain on disposal of a subsidiary	–	1,115
Net exchange gain	1,306	298
Interest income	2,567	3,018
Gain on disposal of property, plant and equipment	10	25
Reversal of impairment loss recognised in respect of trade receivables	10,896	9,164
Rental income	297	51
	15,119	13,711

Note: Government grants were received from several local government authorities for the Group's contribution to growth of the local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

8. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest expenses on bank borrowings wholly repayable within five years	5,460	13,704

9. INCOME TAX

Pursuant to the rule and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

No provision for Hong Kong Profits Tax has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards. No provision of EIT has been made as the Group did not have any assessable profits subject to EIT Law for the years ended 31 December 2016 and 2015.

9. INCOME TAX *(continued)*

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 **RMB'000**	2015 RMB'000
Loss before tax	**(38,810)**	(105,873)
Tax at the domestic income tax rate of 25% (2015: 25%)	**(9,702)**	(26,468)
Effect of different taxation rates in other countries	**(1,775)**	–
Tax effect of non-deductible expenses	**4,408**	5,868
Tax effect of deductible temporary differences not recognised	**2,823**	12,963
Tax effect of unused tax losses not recognised	**4,246**	7,637
Income tax expense for the year	**–**	–

The domestic tax rate in the PRC is used as it is where the operation of the Group is substantially based.

Details of the deferred taxation are set out in Note 27.

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2016 **RMB'000**	2015 RMB'000
Salaries and allowances	**24,752**	30,183
Contributions to retirement benefits scheme	**2,395**	3,362
Total staff costs (including directors' and chief executive's emoluments disclosed in Note 11)	**27,147**	33,545
Impairment loss recognised in respect of other prepayment (included in the operating expenses)	**4,566**	–
Auditors' remuneration	**1,027**	866
Allowance of inventories (included in cost of sales)	**–**	5,238
Cost of inventories recognised as an expense	**93,516**	134,265
Amortisation of prepaid lease payments	**302**	978
Depreciation of property, plant and equipment	**3,632**	4,871
Research and development cost (Note)	**1,367**	4,045
Operating lease rentals in respect of rented premises	**494**	449

Note: Research and development costs included staff costs of employees and depreciation of property, plant and equipment for the purpose of research and development activities.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 15 (2015: 17) directors and the chief executive were as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
For the year ended 31 December 2016				
Chief executive & Executive director:				
Dr. Allan Yap (Note a)	–	578	13	591
Mr. Li Ruigang (Note b)	–	57	–	57
Executive directors:				
Mr. Ding Siqiang (Note c)	–	128	8	136
Ms. Ding Xueleng	–	128	8	136
Mr. Jiang Wei (Note e)	–	19	–	19
Mr. Li Dongxing (Notes f & q)	–	–	–	–
Mr. Lau Yu Hang (Note g)	–	197	3	200
Miss Lok Yee Ling Virginia (Note h)	–	445	3	448
	–	1,552	35	1,587
Non-executive directors:				
Mr. Hui To Thomas (Note i)	–	19	–	19
Mr. Wong Ka Ching (Note j)	252	–	–	252
	252	19	–	271
Independent non-executive directors:				
Mr. Pang Hong (Note k)	103	–	–	103
Mr. Poon Kwok Hing Albert (Note k)	103	–	–	103
Miss Szeto Wai Ling Virginia (Note l)	95	–	–	95
Ms. Qiu Qiuxing (Notes m & q)	–	–	–	–
	301	–	–	301
Alternate director				
Mr. Gu Jiong (Note n)	–	–	–	–
	–	–	–	–
	553	1,571	35	2,159

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
For the year ended 31 December 2015				
Chief executive & Executive director:				
Dr. Allan Yap (Notes a & q)	–	–	–	–
Executive directors:				
Mr. Ding Siqiang (Note c)	–	496	14	510
Ms. Ding Xueleng	–	496	14	510
Ms. Ding Jinzhu (Notes d & q)	–	–	–	–
Mr. Lin Yangshan (Notes d & q)	–	–	–	–
Mr. Li Dongxing (Notes f & q)	–	–	–	–
Mr. Lau Yu Hang (Notes g & q)	–	–	–	–
Miss Lok Yee Ling Virginia (Note h)	–	–	–	–
Mr. Ding Minglang (Notes d & q)	–	–	–	–
	–	992	28	1,020
Non-executive directors:				
Mr. Gu Jiong (Note n)	–	–	–	–
Mr. Wong Ka Ching (Note j)	160	–	–	160
	160	–	–	160
Independent non-executive directors:				
Mr. Pang Hong (Note k)	50	–	–	50
Mr. Poon Kwok Hing Albert (Note k)	50	–	–	50
Miss Szeto Wai Ling Virginia (Note l)	–	–	–	–
Ms. Qiu Qiuxing (Notes m & q)	–	–	–	–
Mr. Lin Jiwu (Notes o & q)	–	–	–	–
Mr. Liu Qiuming (Notes p & q)	–	–	–	–
	100	–	–	100
	260	992	28	1,280

Notes:

(a) Dr. Allan Yap has been appointed as executive director on 11 June 2015 and has re-designated from executive director to Chairman and executive director on 29 January 2016. Dr. Allan Yap has resigned as the Chairman of the board of directors and an executive director on 25 October 2016.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

(b) Mr. Li Ruigang has been appointed as non-executive director and as the Chairman of the board of directors on 25 October 2016.

(c) Mr. Ding Siqiang has re-designated from the chairman, president and executive director to executive director on 29 January 2016.

(d) Ms. Ding Jinzhu, Mr. Lin Yangshan and Mr. Ding Minglang have resigned as executive directors on 11 June 2015.

(e) Mr. Jiang Wei has been appointed as executive director on 25 October 2016.

(f) Mr. Li Dongxing has resigned as executive director on 29 January 2016.

(g) Mr. Lau Yu Hang has been appointed as executive director on 11 June 2015 and has resigned on 29 January 2016.

(h) Miss Lok Yee Ling Virginia has been appointed as executive director on 29 January 2016.

(i) Mr. Hui To Thomas has been appointed as non-executive director on 25 October 2016.

(j) Mr. Wong Ka Ching has been appointed as executive director on 11 June 2015 and has re-designated as non-executive director on 14 July 2015. Mr. Wong Ka Ching has resigned as non-executive directors on 25 October 2016.

(k) Mr. Pang Hong and Mr. Poon Kwok Hing Albert have been appointed as independent non-executive directors on 23 June 2015.

(l) Miss Szeto Wai Ling Virginia has been appointed as independent non-executive director on 29 January 2016.

(m) Ms. Qiu Qiuxing has resigned as independent non-executive director on 29 January 2016.

(n) Mr. Gu Jiong has been appointed as non-executive director on 29 January 2016 and has re-designated as alternate director on 25 October 2016. Mr. Gu Jiong has been re-designated from non-executive director to alternate director to Mr. Hui To Thomas on 25 October 2016.

(o) Mr. Lin Jiwu has resigned as independent non-executive director on 23 June 2015.

(p) Mr. Liu Qiuming has been appointed as independent non-executive director on 31 October 2014 and resigned on 23 June 2015.

(q) The directors agreed to waive their emoluments for the years ended 31 December 2015 and 2016.

There were no emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

Dr. Li Ruigang is also the chief executive of the Company as at 31 December 2016 and his emoluments disclosed above include those for services rendered by him as the chief executive. (2015: Dr. Allan Yap is also the chief executive of the Company and his emoluments disclosed above included for services rendered by him as the chief executive.)

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

Two of the directors of the Company as indicated above waived or agreed to waive emoluments of RMB456,000 paid by the Group for the year ended 31 December 2016. Nine of the directors of the Company as indicated above waived or agreed to waive emoluments of RMB784,000 paid by the Group for the year ended 31 December 2015. No emoluments have been paid to directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2016 and 2015.

The remuneration of directors and the chief executive of the Company were determined by the remuneration committee having regard to the performance of individual and market trends.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2015: five) were the directors and the chief executive of the Company whose emoluments are set out in Note 11 above. The emoluments of the remaining three (2015: nil) highest paid individuals were as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries, allowances, and other benefits	**1,115**	–
Contributions to retirement benefits scheme	**26**	–
	1,141	–

Their emoluments were within the following bands:

	2016 **Number of** **individuals**	2015 Number of individuals
Nil to HK$1,000,000 (equivalent to approximately RMB856,000 (2015: RMB802,000))	**3**	–

No emoluments were paid by the Group to the five highest paid individuals as an incentive payment for joining the Group or as compensation for loss of office for the years ended 31 December 2016 and 2015.

13. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2016	2015
	RMB'000	RMB'000
Loss		
Loss for the purpose of basic and diluted loss per share	**(31,251)**	(105,873)

	2016	2015
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,345,771**	1,184,610

Note:

The weighted average number of ordinary shares in issue during the year ended 31 December 2016 assuming 1,345,771,000 ordinary shares were in issue during the year ended 31 December 2016 after taking into account the ordinary shares issue pursuant to the Placing as stated in Note 26.

The weighted average number of ordinary shares in issue during the year ended 31 December 2015 assuming 1,184,610,000 ordinary shares were in issue during the year ended 31 December 2015.

The dilutive loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2016 and 2015.

14. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machineries	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2015	133,206	22,092	8,474	4,192	28,224	196,188
Additions	–	745	282	–	755	1,782
Disposals	–	–	–	(318)	–	(318)
Eliminated on disposal of a subsidiary	(61,916)	(7,853)	(1,595)	(744)	(5,552)	(77,660)
Transfer from construction in progress	23,427	–	–	–	(23,427)	–
At 31 December 2015	94,717	14,984	7,161	3,130	–	119,992
Additions	–	366	532	315	–	1,213
Disposals	–	–	(10)	(679)	–	(689)
At 31 December 2016	94,717	15,350	7,683	2,766	–	120,516
DEPRECIATION AND IMPAIRMENT						
At 1 January 2015	33,506	22,092	8,474	4,192	–	68,264
Provided for the year	4,826	21	24	–	–	4,871
Impairment loss recognised in profit or loss	–	724	182	–	5,552	6,458
Eliminated on disposal of a subsidiary	(12,566)	(7,853)	(1,519)	(744)	(5,552)	(28,234)
Eliminated on disposals	–	–	–	(318)	–	(318)
At 31 December 2015	25,766	14,984	7,161	3,130	–	51,041
Provided for the year	3,533	14	69	16	–	3,632
Impairment loss recognised in profit or loss	10,518	352	5	299	–	11,174
Eliminated on disposals	–	–	(10)	(679)	–	(689)
At 31 December 2016	39,817	15,350	7,225	2,766	–	65,158
CARRYING AMOUNTS						
At 31 December 2016	**54,900**	**–**	**458**	**–**	**–**	**55,358**
At 31 December 2015	68,951	–	–	–	–	68,951

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line method over their estimated useful lives as follows:

Buildings held for own use	25 years
Machineries	10 years
Office equipment	5 to 9 years
Motor vehicles	10 years

As at 31 December 2016, the Group has not obtained the building ownership certificate for buildings with carrying amount of approximately RMB4,759,000 (2015: RMB4,814,000) from the relevant PRC government authorities. In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

As at 31 December 2016, certain of the Group's buildings with carrying amounts of approximately RMB51,127,000 (2015: RMB7,762,000) were pledged to secure certain banking facilities granted to the Group. Details of pledge of assets are set out in Note 31.

During the year ended 31 December 2016, as a result of the continuous decline in the performance of the Group, the Group carried out a review of the recoverable amount of the Group's property, plant and equipment. The review led to the recognition of impairment losses on buildings, machineries, office equipment and motor vehicles of approximately RMB10,518,000, RMB352,000, RMB5,000 and RMB299,000 respectively (2015: machineries and office equipment of approximately RMB724,000 and RMB182,000 respectively), which have been recognised in consolidated statement of profit or loss and other comprehensive income. The pre–tax discount rate in measuring the amounts of value-in-use is 13%. (2015: 13%)

During the year ended 31 December 2015, the directors of the Company conducted a review on the construction in progress and determined the construction in progress were impaired, due to termination of the project. Accordingly, an impairment loss of approximately RMB5,552,000 had been recognised during 2015.

16. PREPAID LEASE PAYMENTS

	2016 **RMB'000**	2015 RMB'000
At 1 January	**10,971**	45,968
Amortisation of prepaid land lease payments	**(302)**	(978)
Eliminated on disposal of a subsidiary	**–**	(34,019)
At 31 December	**10,669**	10,971

16. PREPAID LEASE PAYMENTS *(continued)*

	2016 RMB'000	2015 RMB'000
Analysed for reporting purposes as:		
Non-current asset	**10,372**	10,674
Current asset	**297**	297
	10,669	10,971

The Group's prepaid lease payments comprise land use rights in the PRC which are held under medium-term leases. The prepaid lease payments are amortised over a period of 50 years on a straight-line basis.

At 31 December 2016, prepaid lease payments amounted to approximately RMB10,669,000 (2015: RMB10,971,000) were pledged to secure certain banking facilities granted to the Group. Details of pledge of assets are set out in Note 31.

17. INVESTMENTS IN FILMS

	2016 RMB'000	2015 RMB'000
Investments in films	**46,205**	24,456

	2016 RMB'000	2015 RMB'000
At 1 January	**24,456**	–
Additions	**56,506**	24,456
Recognised in cost of sales	**(34,757)**	–
At 31 December	**46,205**	24,456

17. INVESTMENTS IN FILMS *(continued)*

The amount represents investments in films. The investments are governed by the relevant agreements whereby the Group is entitled to benefits generated from the distribution of these films based on the percentage of capital contributed in the film projects.

During the year ended 31 December 2016, the Group recognised the cost of investments in films of approximately RMB34,757,000 (2015: nil) and no impairment loss on the investments in films (2015: nil) was recognised based on the expected future revenue to be generated from the films with reference to their marketability and current market condition.

18. LOAN RECEIVABLE

	2016	2015
	RMB'000	RMB'000
Unsecured loan receivable	**20,380**	20,380

As at 31 December 2016, the unsecured loan receivable RMB20,380,000 (2015: RMB20,380,000) bear interest at a fixed rate 5% per annum. The unsecured loan receivable was due within one year (2015: more than one year).

During the year ended 31 December 2016, no impairment loss on loan receivable and interest income (2015: nil) was recognised in the consolidated statement of profit or loss and other comprehensive income.

19. INVENTORIES

	2016	2015
	RMB'000	RMB'000
Raw materials	**12,822**	13,886
Work-in-progress	**–**	78
Finished goods	**4,188**	2,397
	17,010	16,361

20. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	208,397	179,027
Less: provision of impairment loss	(143,571)	(135,094)
Trade receivables	64,826	43,933
Other receivables	432	5,935
Prepayment to suppliers	36,630	64,739
Other prepayment	–	63
Other receivables and prepayments	37,062	70,737
Trade and other receivables	101,888	114,670

Included in other prepayment of approximately RMB4,566,000 which had been fully impaired during the year ended 31 December 2016. The Group generally allows an average credit period ranging from 30 days to 270 days from the receipt of goods by or invoices to its trade customers. At the end of the reporting period, the aged analysis of trade receivables, net of provision of impairment loss recognised presented based on the invoice dates, which approximated the respective revenue recognition dates, are as follows:

	2016 RMB'000	2015 RMB'000
Within 90 days	60,277	26,565
91 to 180 days	796	9,892
181 to 365 days	3,753	7,476
Total	64,826	43,933

In determining the recoverability of receivables, the Group considers whether there has been adverse change in the credit standing of the debtors from the date on which credit was initially granted. The directors of the Company believe that there was no further credit provision required in excess of the accumulated impairment loss already provided for in the consolidated financial statements.

20. TRADE AND OTHER RECEIVABLES *(continued)*

The movement in provision of impairment loss on trade receivables was as follows:

	2016	2015
	RMB'000	RMB'000
At the beginning of the year	**135,094**	308,913
Recognised during the year	**19,373**	61,017
Reversal of impairment of provision	**(10,896)**	(9,164)
Eliminated on disposal of subsidiary	**-**	(225,672)
At the end of the year	**143,571**	135,094

Included in the provision for impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB143,571,000 (2015: RMB135,094,000). The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, provision for impairment loss is recognised.

The aged analysis of the trade receivables neither based on credit terms that are neither individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	RMB'000
Neither past due nor impaired	**37,263**	39,973
Past due but not impaired:		
Within 90 days	**24,749**	257
91-180 days	**-**	-
Over 180 days	**2,814**	3,703
Total	**64,826**	43,933

The Group's neither past due nor impaired trade receivables relate to a large number of diversified customers for whom there was a long term relationship established between the Group and those diversified customers. In addition, to facilitate the evaluation process, the Group would takes into account of ageing of receivable balances of each of the customers and their default rates in prior year, certain economic factors specific to each of the customers, the historical payment pattern and credit-worthiness of each customer, as well as the latest communication with each of customer and information received from these customers. In this regard, the directors of the Company consider those balances that are neither past due not impaired are recoverable.

21. SHORT-TERM BANK DEPOSITS, PLEDGED BANK DEPOSIT AND BANK BALANCES AND CASH

SHORT-TERM BANK DEPOSITS

Short-term bank deposits were carrying interest at market rate which range from 0.16% to 2.25%. (2015: RMB36,165,000 at fixed rate from 2.85% to 3.25% per annum) .

PLEDGED BANK DEPOSIT

At 31 December 2016, no pledged bank deposit (2015: RMB5,000,000) was pledged to secure the bank borrowing granted to the Group. Details of pledge of assets are disclosed in Note 31.

BANK BALANCES AND CASH

Bank balances carried interest at market rates which ranged from 0.001% to 0.055% (2015: 0.001% to 0.055%) per annum. As at 31 December 2016, approximately RMB167,545,000 (2015: RMB862,000) of the bank deposits and bank balances and cash of the Group were denominated in HK$ which is a currency other than RMB while the remaining balances and short-term bank deposits were denominated in RMB.

22. TRADE AND OTHER PAYABLES

	2016 **RMB'000**	2015 RMB'000
Trade payables	**7,895**	8,437
Other payables	**12,972**	11,489
Other tax payables	**2,838**	4,755
Receipts in advance	**2,065**	1,975
Accrued payroll and staff welfare	**1,154**	2,174
	19,029	20,393
Trade and other payables	**26,924**	28,830

22. TRADE AND OTHER PAYABLES *(continued)*

Included in other payables are amounts due to directors of the Company of approximately RMB678,000 (2015: RMB1,607,000), which are unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2016	2015
	RMB'000	RMB'000
Within 90 days	**3,970**	7,619
91 to 180 days	**226**	287
181 to 365 days	**796**	228
Over 365 days	**2,903**	303
Total	**7,895**	8,437

The average credit period on purchases of goods is ranged from 60 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

23. AMOUNTS DUE TO RELATED COMPANIES

	2016	2015
	RMB'000	RMB'000
Amounts due to		
– Television Broadcasts Limited (Note a)	**26,238**	–
– Hengqiang (China) Company Limited ("Hengqiang") (Note b)	**2,258**	1,280

Notes:

(a) Television Broadcasts Limited had equity interest in the Company as at 31 December 2016; and Mr. Li Ruigang, the substantial shareholder and director of the Company also held beneficial interests and directorship in this company.

(b) As at 31 December 2016, Mr. Ding Siqiang, a director of the Company, holds 80% equity interests (2015: 80%) of 恒強（國際）有限公司, which is the ultimate holding company of Hengqiang.

The amounts are unsecured, interest-free and repayable on demand.

24. SECURED BANK BORROWINGS

	2016 RMB'000	2015 RMB'000
Bank borrowings repayable within one year:		
Secured	**121,800**	117,300

The Group's bank borrowings are interest-bearing as follows:

	2016 RMB'000	2015 RMB'000
Fixed-rate borrowings	**121,800**	117,300

The ranges of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2016	2015
Fixed-rate borrowings	**4.39% to 5.00%**	4.39% to 6.72%

During the year ended 31 December 2016, the Group obtained new borrowings in the amount of approximately RMB141,400,000 (2015: RMB180,300,000). The proceeds were used to finance the general working capital of the Group.

As at 31 December 2016, secured bank borrowings with aggregate carrying amounts of approximately RMB121,800,000 (2015: RMB117,300,000) were secured by buildings held for own use and prepaid lease payments. Details of pledge of assets are disclosed in Note 31.

At the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2016 RMB'000	2015 RMB'000
Floating rate		
– expiring within one year	**76,926**	69,933
– expiring beyond one year	**6,050**	5,500
	82,976	75,433

25. DEPOSIT PAID FOR POTENTIAL ACQUISITION

On 1 June 2016, the Company entered into a term sheet with a vendor in relation to the proposed acquisition ("Proposed Acquisition") of the entire issued share capital of a company ("Target Company") which is principally engaged in films production. Pursuant to the term sheet, the Company has provided an earnest money of HK$30,000,000 (equivalent to approximately RMB25,836,000) to the vendor upon execution of the term sheet.

In the event that no formal agreement is entered into before 31 December 2017 or the Company decides not to proceed with the Proposed Acquisition before 31 December 2017, the earnest money shall be refunded to the Company.

26. SHARE CAPITAL

	Number of shares	**Nominal value of ordinary shares**	
			(Equivalent to)
		HK$'000	RMB'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January and 31 December 2016	10,000,000,000	100,000	
Issued and fully paid:			
At 1 January 2016	1,184,610,000	11,846	10,355
Issue of shares (Note)	235,000,000	2,350	1,967
	1,419,610,000	14,196	12,322

Note:

On 11 April 2016, the Company entered into a placing agreement with placing agents to place 235,000,000 new shares of the Company at HK$1 per share. The placing was completed on 25 April 2016. The new shares rank pari passu with the existing shares in all respects.

27. DEFERRED TAXATION

At the end of the reporting period, the Group has unused tax losses of approximately RMB200,691,000 (2015: RMB183,707,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The unused tax losses will expire after five years from the year of assessment to which they relate.

At the end of the reporting period, the Group had deductible temporary differences of approximately RMB 143,571,000 (2015: RMB135,094,000).

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes secured bank borrowings disclosed in Note 24, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the new share issues as well as the issue of new debts or repayment of existing debts.

29. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2016 **RMB'000**	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**501,916**	231,805
Financial liabilities		
Liabilities measured at amortised cost	**172,317**	140,680

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loan receivable, investments in films, trade and other receivables, deposit paid for potential acquisition, pledged bank deposit, short-term bank deposits, bank balances and cash, trade and other payables, amounts due to related companies and secured bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

29. FINANCIAL INSTRUMENTS *(continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market risk

(i) Foreign currency risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. Other than certain other receivables, bank balances and other payables, most of the Group's financial instruments such as trade and other receivables are denominated in RMB.

Certain bank balances and deposits are denominated in Hong Kong dollars ("HK$") which is a currency other than functional currency of the relevant group entities.

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting date are as follows:

	2016	2015
	RMB'000	RMB'000
Hong Kong Dollars ("HK$")	**167,545**	862

Sensitivity analysis

The Group entities are mainly exposed to the fluctuation of HK$ against RMB.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in RMB against HK$ for the year ended 31 December 2016. 5% (2015: 5%) is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2015: 5%) change in foreign currency rates.

29. FINANCIAL INSTRUMENTS *(continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

***Market risk** (continued)*

(i) Foreign currency risk (continued)

Sensitivity analysis *(continued)*

A negative number below indicates a decrease in profit after tax for the year where RMB strengthen 5% (2015: 5%) against the relevant currency. For a 5% (2015: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit after tax for the year.

	2016	2015
	RMB'000	RMB'000
Post-tax profit or loss	**8,377**	43

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivable, short-term bank deposits and secured bank borrowings (see Notes 18, 21 and 24 for details). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

As at 31 December 2016 and 2015, the Group is also exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating interest rate.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB base lending rate and deposit rate arising stipulated by the People's Bank of China arising from the Group's RMB denominated bank borrowings and bank balances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. The basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For variable-rate short-term bank deposits and bank balances, if the interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss after tax and retained profits for the year ended 31 December 2016 would increase/decrease by approximately RMB3,442,000 (2015: RMB985,000).

29. FINANCIAL INSTRUMENTS *(continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. Follow-up actions may include debts restructuring plan with debtors and legal actions after taken into account of factors including the credit history, estimated purchase for the current year of the customers and market conditions. The Group reviews the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure that adequate impairment loss is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 41% (2015: 12%) and 84% (2015: 36%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is all in the PRC at 31 December 2015 and 31 December 2016.

At 31 December 2016, the Group also had concentration of credit risk in respect of loan receivable, of approximately RMB20,380,000, details of which are set out in Note 18. Before participating in the credit facility made available to an independent third party of the Group (the "Borrower"), management of the Group has assessed the credit quality of the Borrower. In order to minimise the credit risk, management of the Group has reviewed the recoverable amount of the loan receivable to ensure that adequate impairment losses are made for irrecoverable amount. The directors do not expect these counterparties would fail to meet their obligations and the credit risk is significantly reduced.

The Group had also considered the credit risk in respect of deposit paid for potential acquisition is limited. The Group has policies in place to ensure the counterparty is financially viable and with an appropriate credit history. The Group considers that the counterparty is of strong financial position. In this regard, the Group considers that the credit risk is low.

Other than above, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

29. FINANCIAL INSTRUMENTS *(continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings. The Group has no covenant with banks for the banking facilities granted.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	Total undiscounted cash flows due on demand or within one year RMB'000	**Carrying amount** RMB'000
At 31 December 2016		
Non-derivative financial liabilities		
Trade and other payables	**22,021**	**22,021**
Amounts due to related companies	**28,496**	**28,496**
Bank borrowings	**124,404**	**121,800**
	174,921	**172,317**
At 31 December 2015		
Non-derivative financial liabilities		
Trade and other payables	22,100	22,100
Amount due to a related company	1,280	1,280
Bank borrowings	120,149	117,300
	143,529	140,680

30. OPERATING LEASES

THE GROUP AS LESSEE

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises, warehouses and staff quarters which fall due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**411**	150
In the second to fifth year inclusive	**582**	–
	993	150

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average of 2 years with fixed rentals.

31. PLEDGE OF ASSETS

The Group had pledged the following assets to secure bank borrowings of the Group at the end of the reporting period. The carrying amounts of the assets pledged are as follows:

	Note	2016 RMB'000	2015 RMB'000
Buildings held for own use	15	**51,127**	7,762
Prepaid lease payments	16	**10,669**	10,971
Pledged bank deposits	21	**–**	5,000
		61,796	23,733

32. RETIREMENT BENEFITS SCHEMES

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions are subject to a cap of HK$1,500 per month.

32. RETIREMENT BENEFITS SCHEMES *(continued)*

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2016, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB2,395,000 (2015: RMB3,362,000).

33. RELATED PARTY TRANSACTIONS

The Group also had the following transactions with its related parties during the year:

(A) TRANSACTIONS

Name of company	Nature of transaction	2016 RMB'000	2015 RMB'000
Related company:			
Television Broadcasts Limited	Service charge paid	25,081	–
	Service income	899	–

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management during the year were as follows:

	2016 RMB'000	2015 RMB'000
Short-term benefits	2,124	1,675
Post-employment benefits	35	60
	2,159	1,735

The remuneration of directors and other members of key management are determined by the remuneration committee having regard to the performance of the individuals and market trends.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment		**1**	–
Interests in subsidiaries	(a)	**5**	9
Loan receivable		**–**	20,380
		6	20,389
Current assets			
Loan receivable		**20,380**	–
Trade and other receivables		**46,811**	331
Deposit paid for potential acquisition		**25,835**	–
Investments in films		**26,865**	24,456
Dividend receivables		**180,674**	176,755
Bank balances and cash		**164,780**	756
		465,345	202,298
Current liabilities			
Other payables		**3,011**	5,483
Amount due to a related company	(b)	**26,238**	–
Amount due to a director	(b)	**2,585**	1,607
		31,834	7,090
Net current assets		**433,511**	195,208
Total assets less current liabilities		**433,517**	215,597
Capital and reserves			
Share capital		**12,322**	10,355
Reserves	(c)	**421,195**	205,242
Total equity		**433,517**	215,597

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) Interests in subsidiaries

	2016	2015
	RMB'000	RMB'000
Unlisted investments, at cost	**5**	9
Amounts due from subsidiaries - current	**407,353**	365,489
	407,358	365,498
Less: Impairment loss recognised on amounts due from subsidiaries	**(407,353)**	(365,489)
	5	9
Analysed for reporting purposes as:		
Non-current asset	**5**	9
Current asset	**–**	–
	5	9

(b) Amount due to a related company and amount due to a director are unsecured, interest-free and repayable on demand.

(c) Reserves

	Share premium	**Share options reserve**	**Accumulated loss**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	561,252	6,876	(384,540)	183,588
Profit and total comprehensive income for the year	–	–	21,654	21,654
Share options cancelled	–	(6,876)	6,876	–
At 31 December 2015	561,252	–	(356,010)	205,242
At 1 January 2016	561,252	–	(356,010)	205,242
Profit and total comprehensive income for the year	–	–	26,384	26,384
Issue of shares	194,634	–	–	194,634
Transaction costs attributable to issue of shares	(5,065)	–	–	(5,065)
At 31 December 2016	750,821	–	(329,626)	421,195

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(A) GENERAL INFORMATION OF SUBSIDIARIES

Details of the Group's principal subsidiaries at the end of the reporting period are set out below.

Name of subsidiaries	Place/Country of incorporation or registration/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Equity interest and voting power attributable to the Group				Proportion ownership interest held by the Company		Principal activities
				Direct		Indirect				
				2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	
Fujian Meike Leisure Sports Goods Company Limited. 福建美克休閑体育用品有限公司(Notes i)	The PRC 12 February 1999	Ordinary	RMB100,000,000/ RMB100,000,000	-	-	51%	100%	51%	100%	Manufacturing and trading of sporting goods
Fujian Meisike Sports Goods Co., Limited 福建省美斯克体育用品有限公司 (Notes i)	The PRC 15 March 2007	Ordinary	HK$20,000,000/ HK$20,000,000	-	-	100%	100%	100%	100%	Manufacturing and trading of sporting goods
Shaw Brothers Pictures International Limited 邵氏兄弟國際影業有限公司 (Note ii)	HK 23 March 2016	Ordinary	HK$10/ HK$10	-	-	100%	-	100%	-	Investments in films
Tailor Made Production Limited 手工藝創作有限公司 (Note ii)	HK 31 March 2016	Ordinary	HK$1,000/ HK$1,000	-	-	40%	-	40%	-	Artiste and event management

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during both years and at the end of both years.

All of the above subsidiaries operate principally in their respective place of incorporation/ establishment.

Notes:

(i) The entity is wholly foreign owned enterprise established in the PRC.

(ii) The entities are established during the year 2016.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

(A) GENERAL INFORMATION OF SUBSIDIARIES *(continued)*

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		31 December 2016	31 December 2015
Investment holding	BVI	**4**	1
	Hong Kong	**3**	2
Inactive	The PRC	**1**	-
	BVI	**1**	-
	Hong Kong	**5**	-
		14	3

(B) CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the year, the Group disposed of 49% interest in Amber Jungle Limited, reducing its continuing interest to 51% and without losing its control. The proceeds on disposal of HK$52,000,000 (equivalent to RMB44,131,000, net of transaction costs of approximately RMB849,000) were received during the year ended 31 December 2016. An amount of approximately RMB38,083,000 (being the proportionate share of the carrying amount of the net assets of Amber Jungle Limited) has been transferred to non-controlling interests. The difference of RMB5,199,000 between the increase in the non-controlling interests and the consideration received has been credited to other reserves.

(C) DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
	2016	2015	**2016**	2015	**2016**	2015
	%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amber Jungle Limited	**49%**	N/A	**(4,207)**	-	**33,876**	-
Tailor Made Production Limited	**60%**	N/A	**(3,351)**	-	**(3,351)**	-

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

(C) DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra group eliminations.

Amber Jungle Limited	**2016 RMB'000**	2015 RMB'000
Current assets	**108,549**	N/A
Non-current assets	**65,272**	N/A
Current liabilities	**104,687**	N/A
Equity attributable to owners of Amber Jungle Limited	**35,258**	N/A
Non-controlling interests	**33,876**	N/A

	2016 RMB'000	2015 RMB'000
Revenue	**93,778**	N/A
Expenses	**(102,363)**	N/A
Loss for the period	**(8,585)**	N/A
Loss and total comprehensive expense attributable to owners of Amber Jungle Limited	**(4,378)**	N/A
Loss and total comprehensive expense attributable to the non-controlling interests	**(4,207)**	N/A
Loss and total comprehensive expense for the period	**(8,585)**	N/A
Net cash inflow from operating activities	**23,497**	N/A
Net cash inflow from investing activities	**42,893**	N/A
Net cash outflow from financing activities	**(91,093)**	N/A
Net cash outflow	**(24,703)**	N/A

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

(C) DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(continued)*

Tailor Made Production Limited	**2016** **RMB'000**	2015 RMB'000
Current assets	**7,640**	N/A
Non-current assets	**456**	N/A
Current liabilities	**13,680**	N/A
Equity attributable to owners of Tailor Made Production Limited	**(2,233)**	N/A
Non-controlling interests	**(3,351)**	N/A

	2016 **RMB'000**	2015 RMB'000
Revenue	**9,695**	N/A
Expenses	**(15,279)**	N/A
Loss for the period	**(5,584)**	N/A
Loss and total comprehensive expense attributable to owners of Tailor Made Production Limited	**(2,233)**	N/A
Loss and total comprehensive expense attributable to the non-controlling interests	**(3,351)**	N/A
Loss and total comprehensive expense for the period	**(5,584)**	N/A
Net cash outflow from operating activities	**(6,735)**	N/A
Net cash outflow from investing activities	**(524)**	N/A
Net cash inflow from financing activities	**8,958**	N/A
Net cash inflow	**1,699**	N/A

36. EVENTS AFTER REPORTING PERIOD

The following significant event took place subsequent to 31 December 2016.

CONTINUING CONNECTED TRANSACTION

(a) On 29 November 2016, the Company entered into the cooperation framework agreement with CMC Holdings Limited ("CMC Holdings") and Huaren Wenhua Limited Liability Company ("Huaren Wenhua") pursuant to which the Company, CMC Holdings and Huaren Wenhua wish to cooperate in (i) the Investment Projects and (ii) the Artistes Engagement. In addition, the ultimate controlling shareholder of both CMC Holdings and Huaren Wenhua is Mr. Li Ruigang who is the chairman, a director and a substantial shareholder of the Company.

The terms of the definitive agreement are 3 years from 1 January 2017 to 31 December 2019, subject to the fulfilment of the condition precedent of the cooperation framework agreement when the Company had complied with the requirements under the the Rules Governing the Listing of Securities on the Stock Exchange. Details of which are set out in the Company's announcement dated on 29 November 2016.

(b) On 29 March 2017, Tailor Made Production Limited, a non-wholly owned subsidiary of the Company, entered into artist management agreements with each of Good Servant Production Limited and Esther Communications Limited on 1 September 2016 for the engagement of Tailor Made Production Limited as the sole and exclusive agent of Mr. Wong Cho Lam and his spouse, Miss Li Yanna Leanne, respectively in the entertainment industry.

Mr. Wong Cho Lam is one of the directors and shareholders of Tailor Made Production Limited. Mr. Wong Cho Lam, Miss Li Yanna Leanne, Good Servant Production Limited and Esther Communications Limited are connected persons of the Company at the subsidiary level under the Rules Governing the Listing of Securities on the Stock Exchange. Details of the above continuing connected transactions are set out in the Company's announcement dated 29 March 2017.

37. COMPARATIVES

The comparative figures of investments in films have been reclassified from non-current assets to current assets included in consolidated statement of financial position to conform with the current year's presentation.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2012	2013	2014	2015	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	331,487	230,521	163,029	147,735	**187,633**
Cost of sales	(313,587)	(227,451)	(146,669)	(139,503)	**(158,173)**
Gross profit	17,900	3,070	16,360	8,232	**29,460**
Other income	2,004	47,614	14,906	13,711	**15,119**
Other gains and losses, net	139	–	–	–	**–**
Impairment loss recognised in respect of property, plant and equipment	–	(5,519)	(10,490)	(6,458)	**(11,174)**
Impairment loss recognised in respect of trade receivables	(85,247)	(180,870)	(114,480)	(61,017)	**(19,373)**
Selling and distribution expenses	(24,936)	(55,530)	(9,336)	(7,968)	**(3,061)**
Administrative expenses	(37,614)	(46,575)	(38,489)	(34,624)	**(38,388)**
Other operating expenses	(10,551)	(11,819)	(11,567)	(4,045)	**(5,933)**
Finance costs	(13,323)	(7,643)	(12,079)	(13,704)	**(5,460)**
Loss before tax	(151,628)	(257,272)	(165,175)	(105,873)	**(38,810)**
Income tax credit	731	2,648	–	–	**–**
Loss and total comprehensive expense for the year	(150,897)	(254,624)	(165,175)	(105,873)	**(38,810)**
Loss and total comprehensive expense for the year attributable to:					
Owners of the Company	(150,897)	(254,624)	(165,175)	(105,873)	**(31,251)**
Non-controlling interests	–	–	–	–	**(7,559)**
	(150,897)	(254,624)	(165,175)	(105,873)	**(38,810)**
Loss per share					
Basic and diluted (RMB)	(0.127)	(0.215)	(0.139)	(0.089)	**(0.023)**

FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000 (Restated)	**2016** **RMB'000**
Assets					
Current assets	779,736	530,522	412,785	295,760	**555,853**
Non-current assets	212,489	191,391	172,794	100,005	**65,730**
Total Assets	992,225	721,913	585,579	395,765	**621,583**
Equity and Liabilities					
Current liabilities	212,917	202,651	231,351	147,410	**177,220**
Non-current liabilities	6,509	–	–	–	**–**
Total Equity	772,799	519,262	354,228	248,355	**444,363**
Total Equity and Liabilities	992,225	721,913	585,579	395,765	**621,583**