銀仕來

SILVERMAN HOLDINGS LIMITED

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

INTERIM REPORT 2017

Contents

SUMMARY

- Revenue was approximately RMB408.3 million, representing an increase of approximately 17.6% as compared to that of RMB347.2 million for the corresponding period of last year.

- Gross profit margin was approximately 21.1% of revenue, representing an increase of approximately 2.5 basis points as compared to that of approximately 18.6% for the corresponding period of last year.

- Gross profit increased by approximately RMB21.6 million, or approximately 33.3% as compared with the corresponding period of last year, to approximately RMB86.3 million for the six months ended 30 June 2017 (the "**Period Under Review**").

- Profit attributable to the equity shareholders of the Company was approximately RMB30.0 million, representing an increase of approximately 464.8% as compared to that of RMB5.3 million for the corresponding period of last year.

CORPORATE INFORMATION

The Board of Directors

Executive Directors

Mr. LIU Dong (Chairman)
Mr. LIU Zongjun (Chief Executive Officer)
Ms. CHEN Chen
Mr. HE Han
Mr. TAN Bin

Independent Non-executive Directors

Mr. LAM Kai Yeung
Mr. GAO Gordon Xia
Mr. WANG Liangliang

Company secretary

Ms. CHAN Yin Wah, FCS, FCIS, FCCA

Authorised representatives

Mr. LIU Dong
Ms. CHAN Yin Wah

Audit committee

Mr. LAM Kai Yeung (Chairman)
Mr. WANG Liangliang
Mr. GAO Gordon Xia

Remuneration committee

Mr. WANG Liangliang (Chairman)
Mr. LIU Dong
Mr. GAO Gordon Xia

Nomination committee

Mr. GAO Gordon Xia (Chairman)
Mr. WANG Liangliang
Mr. LIU Dong

Registered office

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

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

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

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

Principal place of business in Hong Kong

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

Legal adviser to the Company (Hong Kong Law)

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

Auditor

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

Hong Kong branch share registrar and transfer office

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

Cayman Islands share registrar and transfer office

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

Principal banker

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

Stock code

1616

Company's website address

http://www.ysltex.com

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2017, under the influence of domestic macroeconomic policies with supply-side structural reform as the core, China's macro economy showed two basic characteristics of rebound and differentiation. A number of macroeconomic indicators of China's economy were showing improvement and the nominal GDP growth was on the rise for five consecutive quarters. The micro-foundation of economic operation was further enhanced, and the economic structure saw continuous optimization. The overall economy experienced a good start, with the supply-side structural adjustment having generated positive initial results. However, the Chinese economy showed a wider range and more layered differentiation characteristics in the process of rebound: (1) all kinds of price indices and internal structure of price index differentiation showed divergent trends of growth; (2) differentiation of industry recovery and profit growth; (3) differentiation of corporate profiting segments; (4) differentiation of prosperity and operation; and (5) sustained differentiation of regional growth and development. Although China's economy was exposed to risks due to such differentiation in 2017, the rebound also showed structural optimization.

In the current new normal of supply-side structural reform, in the first half of 2017, the television industry showed the new feature of rational development: on the one hand, with the further development of the television industry, the audience as well as producers and investors had more explicit demands on content and more accurate and detailed positioning for the direction of development. The IP film and television dramas originating from literature were comparable with youth idol dramas. The premium television dramas that were exquisitely produced with a huge number of veteran actors gained a wider audience base and thus became hot spots in the television industry; on the other hand, thanks to the national policy support for the media industry and the proactive participation of regulators at all levels, the entire television industry was in a trend of rise in stabilization and the growth gradually became rational. According to Wind Statistics, in the first half of 2017, China's national total box office reached RMB27.173 billion (including service charges), representing an increase of 10.5% as compared to RMB24.585 billion for the same period last year; there was an increase trend in the number of Chinese television dramas, of which those with 51–60 episodes experienced a year-on-year increase of 129%.

In contrast, in the first half of 2017, in spite of recovery in areas such as production, investment, and export of the textile industry, as China's traditional industry, there was no substantive change, and the textile industry has not been out of the downturn for many years due to the industrial macroeconomic environment, the tightening of environmental policy and other factors.

According to the data from the National Bureau of Statistics and China Customs, there were no material changes in the domestic demand and export of China's textile industry in the first half of the year. In the domestic market, a temporary rise in textile prices occurred for nearly one month as a result of the increase in price of chemical fiber but such increasing trend was short-lived due to the lack of turnaround in the end-user consumption markets such as the clothing and the home textiles market. From January to May 2017, the industrial added value of enterprises above designated size in the textile industry increased by 5.1% year on year, with the growth rate down by 1.6 percentage points as compared with the same period last year; from January to May, the export value of textiles and clothing of the textile industry amounted to US$99.88 billion, representing a year-on-year increase of 2.1%, while the export amount of cotton woven fabric decreased by 5.1%. The remarkable decrease in the price of exported products and the substantial decrease of 19.3% in the import amount indicated the continued sluggish demand of domestic textile market on the end-user side. However, the transfer of textile industry has started to show effects.

In the first half of 2017, in light of the deteriorating living environment, the Chinese government vigorously implemented the "storm of environmental protection" and imposed increasingly higher requirements on sewage treatment, exhaust emission, staff protection, production safety and other aspects, resulting in increasing costs such as energy, environmental protection, employment and logistics costs of the industrial chain of textile industry, and the shutdown of several dyeing and printing enterprises. In addition, the Group was subjected to more difficulties from market development and default risks. More textile enterprises were considering or had commenced relocation to western China or Southeast Asia. The increasing competitiveness of textile enterprises from India, Vietnam, Pakistan and other countries and regions has created greater pressure for the operation and development of Chinese textile enterprises.

BUSINESS REVIEW

For the six months ended 30 June 2017, the Group continued to proactively promote the development of its media segment and invested in the shooting of a number of film and television drama series. Moreover, the textile industry slightly improved during the Period Under Review.

During the Period Under Review, the Group's profit before taxation was approximately RMB38.7 million, representing an increase of 499% as compared to RMB6.5 million for the corresponding period of last year, which was mainly attributable to the gain on fair value changes of the convertible bonds as well as the stable growth in the Company's business for the first half year.

1. Media business

Ever since the Group set foot in the television and media industry in 2015, the Group's film, television and media has already begun to take shape and has achieved good development. As at the date of this report, "Care and Fear" ("提著心，吊著膽"), a black comedy film, "Li Lei and Han Meimei" ("李雷與韓梅梅"), a youth comedy film, "Goodbye to Time" ("再見時光"), a youth nostalgic film, and "The Heavenly Emperor (御天神帝)", a mythology and fantasy web drama, invested by Beijing Starrise Pictures Co., Ltd. (北京星宏影視文化有限公司), a subsidiary of the Company, have been airing nationwide and received good response from the market. "Care and Fear" ("提著心，吊著膽"), as a low-budget film directed by a debut director, despite pressure from a congested release schedule and the resulting head-to-head competition with multiple Hollywood blockbusters, achieved a box-office revenue of over RMB10 million within 3 days. "Care and Fear", with its unique serial narrative form and the actors' creative performance, has become one of the highest rated domestic films released in 2017. In addition, the "Love @ You" ("愛@你"), an urban romance film, and "Once Upon A Time In The Northeast – Love Song 1996" ("東北往事之戀曲1996"), a youth nostalgic film, each a production invested by Beijing Starrise Pictures Co., Ltd. (北京星宏影視文化有限公司) are currently in post-production phase and are expected to be released to the public at the end of this year or the beginning of the next year.

At the same time, "The Adoption" ("領養"), a 40-episode television series, produced and invested by Beijing Huasheng Taitong Media Investment Company Limited (北京華晟泰通傳媒投資有限公司), a subsidiary of the Group, premiered on CCTV8 on 13 August of this year and won the "Gold Angel Award for Outstanding Chinese Television Play Series" at the twelfth Chinese American Film Festival; the shooting of "Qiao's Grand Courtyard 2 (喬家大院2)" and "March in River City (江城三月)" was completed in the first half of the year and both are currently in the release phase; "Wudang Yijian (武當一劍)" and "The Echoes of Xibaipo (西柏坡的回聲)" were completed and are currently in the post-production phase. The aforementioned four dramas are expected to be broadcasted in the second half of the year to the first half of the next year.

2. Textile business

Although faced with the negative factors including contraction of the export market due to the slowdown of global economy, increased competition from emerging textile markets in South East Asia, the adjustment of industrial and economic structure and shift of industrial centre at home, the Group insisted on the "we-centered policy" for its textile business and leveraged on its strengths in terms of differentiated product positioning and technological innovation to vigorously carry out measures such as independent and joint development, technical transformation, energy saving and loss reduction to enhance products' added value and to reduce operating costs. As a result, the Group's textile business has achieved some success with its profitability rebound. During the Period Under Review, the gross profit margin of the textile business increased from 13.3% to 15.4% as compared to that of the same period last year.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of revenue, gross profit and gross profit margin of the Group's textile business and media business for the six months ended 30 June 2017 and 2016:

	For the six months ended 30 June					
	2017			2016		
	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Textile business	336,743	51,853	15.4%	316,289	42,024	13.3%
Media business	71,513	34,409	48.1%	30,901	22,665	73.3%
Total	408,256	86,262	21.1%	347,190	64,689	18.6%

For the six months ended 30 June 2017, the gross profit margin of the Group increased, from approximately 18.6% to approximately 21.1% when compared to that of the corresponding period of last year, a year-on-year increase of approximately 2.5 basis points. The increase in overall gross profit margins was mainly due to the increase of gross profit of textile business.

Distribution costs

For the six months ended 30 June 2017, distribution costs of the Group increased by approximately RMB4.7 million to approximately RMB11.9 million from approximately RMB7.2 million of the corresponding period of last year. Such increase was mainly due to an increase in distribution costs which is in line with the growth in the media business.

Administrative expenses

For the six months ended 30 June 2017, the administrative expenses of the Group were approximately RMB50.3 million, representing an increase of approximately 17.5% when compared to that of approximately RMB42.8 million of the corresponding period of last year. The increase was mainly due to the growth of the media segment, which led to a corresponding increase in staff cost and rental expense.

Other net gains

For the six months ended 30 June 2017, the total amounts of other net gains of the Group increased by approximately RMB50.9 million to approximately RMB52.2 million from approximately RMB1.3 million of the corresponding period of last year. The increase was mainly due to the changes in fair value recognized in profit or loss by remeasuring the fair value of the derivatives embedded in convertible bonds at the end of June 2017.

Net finance costs

During the Period Under Review, the Group recorded a net finance costs of approximately RMB33.6 million. For the six months ended 30 June 2017, the finance costs of the Group were approximately RMB40.5 million, representing an increase of approximately RMB31.5 million as compared to that of approximately RMB9.0 million of the corresponding period in 2016. Such increase was mainly due to the increase in interest expense of convertible bonds. The finance income of the Group was approximately RMB6.9 million, representing an increase of approximately RMB6.2 million when compared to that of approximately RMB0.7 million of the corresponding period of last year, which was mainly due to the increase in foreign exchange gain in 2017.

Taxation

For the six months ended 30 June 2017, taxation of the Group increased by approximately RMB7.6 million to approximately RMB8.8 million from approximately RMB1.2 million of the corresponding period of last year. This was in line with the improvements in the overall performance of the Group.

Profit attributable to the equity shareholders of the Company

For the six months ended 30 June 2017, the profit attributable to the equity shareholders of the Company was approximately RMB30.0 million, representing an increase of approximately 464.8%, from RMB5.3 million as compared to that of the corresponding period in 2016. This was mainly due to the gain on fair value changes of the convertible bonds as well as the stable growth in the Company's business for the first half year.

Liquidity and financial resources

As at 30 June 2017, cash and cash equivalents of the Group were approximately RMB209.6 million, representing an increase of approximately 21.2% from approximately RMB173.0 million as at 31 December 2016. This was mainly due to the fund raised from convertible bonds during the period.

As at 30 June 2017, cash and bank of the Group were mainly held in Renminbi, US dollars and HK dollars, of which, approximately RMB102.9 million (31 December 2016: approximately RMB132.1 million) or approximately 43.9% (31 December 2016: 66.7%) of the cash and bank were held in Renminbi.

For the six months ended 30 June 2017, the Group's net cash used in operating activities was approximately RMB186.3 million, net cash used in investing activities was approximately RMB37.0 million and net cash generated from financing activities was approximately RMB262.9 million. Cash and cash equivalents of the Group increased by approximately RMB36.6 million during the Period Under Review. The Board believes that the Group will maintain a sound and stable financial position, and will maintain sufficient liquidity and financial resources for its business need.

With respect to the payment terms of purchase or processing orders made by customers with long established business relationship, good settlement record and sound reputation, the Group may waive the deposit or grant a credit period typically ranging from 30 to 180 days. The length of credit period depends on various factors such as financial strength, scale of the business and settlement record of those customers. For the six months ended 30 June 2017, the average trade receivables (including bills receivable) turnover days of the Group was approximately 70 days, up from 58 days for the corresponding period in the previous year. The increase was mainly due to the longer average payback period in average of the media business.

For the six months ended 30 June 2017, inventory turnover period of the Group was 105 days, which was longer compared to the corresponding period in the previous year.

As at 30 June 2017, the Group's loans were approximately RMB253.3 million (31 December 2016: approximately RMB185.0 million) bore fixed interest at rates ranging from 3.5% to 5.7% per annum (31 December 2016: 4.4%). As at 30 June 2017, the Group did not have any loans with floating interest (31 December 2016: approximately RMB23.9 million with annual rates ranging from 5.5% to 6.1%). The Group's liability component of the convertible bonds is approximately RMB389.5 million, with annual effective interest rate of 22.0% and 18.9% respectively (31 December 2016: approximately RMB161.5 million, with annual effective interest rate of 18.9%).

Capital structure

The Group continues to maintain an appropriate mix of equity and debt to ensure an optimal capital structure to reduce capital cost. As at 30 June 2017, the debts of the Group were mainly represented by bank loans and other borrowings and convertible bonds with a total amount of approximately RMB652.3 million (31 December 2016: approximately RMB405.0 million including obligations under financial lease and other borrowings). As at 30 June 2017, cash and bank were approximately RMB234.6 million (31 December 2016: approximately RMB198.0 million). As at 30 June 2017, the Group's gearing ratio was 37.0% (31 December 2016: gearing ratio was approximately 18.8%). The gearing ratio was calculated by dividing total debt (i.e. interest-bearing bank loans, convertible bonds, obligations under finance lease and other borrowings, after deducting cash and bank) by total equity.

As at 30 June 2017, the Group's debts which were due within a year were approximately RMB253.3 million (31 December 2016: approximately RMB198.9 million).

Capital commitments

Save as disclosed in note 16 to the unaudited interim financial report, the Group did not have any other significant capital commitments as at 30 June 2017 (31 December 2016: Nil).

Employee and remuneration policy

As at 30 June 2017, the Group had a total of 2,522 employees (31 December 2016: 2,577; 30 June 2016: 2,595). The decrease in the number of staffs as compared to that of the corresponding period in the previous year was mainly because of the Group's efforts to increase efficiency by downsizing staffs according to the Company's operating conditions.

For the six months ended 30 June 2017, staff costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB62.8 million (for the corresponding period of 2016: approximately RMB55.9 million). The increase in staff costs was mainly due to the expansion of media business.

The Group continues to provide training to its staff to improve their operational skill. Meanwhile, the Group enhanced the work efficiency and the average income of the staff through position consolidation, process reorganization and improvement of working and living environment of the staff. The remuneration of the employees of the Group was determined with reference to their working performance, experience and the industry practices. The management of the Group will also periodically review its remuneration policy. In addition, the Group provides bonuses and incentives based on their performances to encourage and motivate its staff to strive for better performance. For the remainder of 2017, the Group will continue to provide training to its staff according to their respective skill requirements, such as training sessions on safety and technical skill.

Exposure to foreign exchange risk

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

Charges on assets

Except for the pledged bank deposits disclosed in the consolidated statement of financial position, the Group pledged its machinery and equipment with net book value of approximately RMB19.7 million (31 December 2016: approximately RMB28.5 million) as securities for bank borrowings as at 30 June 2017. In addition, the Group did not have machinery and equipment held under finance lease as at 30 June 2017 (31 December 2016: approximately RMB35.6 million).

Significant investments

Save as the investment in associates and investments in equity securities as presented in the unaudited consolidated statement of financial position as at 30 June 2017, the Group did not hold any significant investments in equity interests in any other company as at 30 June 2017.

Future plans for material investments and capital assets

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

Material acquisitions and disposals of subsidiaries and associated companies

For the six months ended 30 June 2017, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

FUTURE PROSPECTS

The year of 2017 marks an important year for the implementation of the "Thirteenth Five-year" Plan whereby the supply-side structural reform will be stepped up further. In the first half of the year, the PRC's macro-economy continues the favourable development momentum characterised by "rebound" and "differentiation" from the second half of last year. Looking forward to the second half of the year, in the context of global economic recovery and improvement of demand in overseas markets, China's economy is set to "reform and open up" and the economic situation will become more optimistic.

1. Media business

In the second half of 2017, the Directors believe that the entire television industry will show a steady development momentum as the "New Pattern of Cultural Industry in the Thirteenth Five-year Period" reveals that the increase in the value of the cultural industry of the PRC will reach RMB3.4 trillion in 2017 and the PRC's cultural industry will maintain an annual average growth rate of around 14.8% in the next five years.

In the second half of 2017, the development trend of the entire television industry will become clearer. *The Film and Television Blue Book: Development Report on Film and Television Industry in China (2017)* edited by CC Smart notes that along with the combined effects of heightened audience awareness, stringent government supervision, keen capital investments and other factors, there will be changes in the content creation, industry extension, capital expansion and other aspects of the television industry in the second half of 2017 and four major development trends will emerge: 1. the core competition will lie in the production quality; 2. the television drama industry will be diversified as integration of television and internet will become the major development direction; 3. the industry will meet new challenges as the profit from online block busters falls; 4. initial results of IP rights protection will be seen and measures against piracy and plagiarism will be further reinforced.

In light of the above and the development of the Group's media business, the Group will further strengthen the content control and marketing management of its media business. On the one hand, capitalising on the Group's outstanding filmmaker team and industry resources, the Group will aim to produce premium dramas by making premium dramas, SIP dramas and other types of drama proactively and will focus on the production value of the first IP dramas and marketing management; on the other hand, to leverage on the popularity of 4G network and the improved streaming speed and quality of mobile video devices and to benefit from the growing popularity of webisodes, the Group will proactively seize the development opportunities brought by internet integration to develop traditional television dramas and webisodes with higher investment value and popularity; finally, given the rapid development of new media and new platform showcased through the internet, a fundamental change has taken place in the mode of development of the film and television industry. Against this background, the Group will strengthen cooperation with IQIYI, Tencent and other leading video display platforms to the fullest extent in order to invest in and produce online customized films and television dramas in a proactive manner.

Set out in the table below are some of the major films and television dramas schedule in 2017:

No.	Title	Theme	Current Status
1	The Adoption (領養)	Urban emotional drama	Broadcasted on 13 August 2017
2	Love @ You (愛@你)	Urban romance film	To be broadcasted in the second half of the year
3	Wudang Yijian (武當一劍)	Kung fu drama	Shooting completed, entering the post-production phase
4	The Echoes of Xibaipo (西柏坡的回聲)	Crime thriller	Shooting completed, entering the post-production phase
5	Once Upon A Time In The Northeast-Love Song 1996 (東北往事之戀曲1996)	Youth nostalgic film	Shooting completed, entering the post-production phase
6	Jigong Mountain 1938 (雞公山1938)	Espionage thriller	Preparing script

2. Textile business

In 2017, the stabilisation of China's economy and the recovery of the US economy, especially with the robust growth of the US stock market, demonstrated that the turnaround of global economy had taken place. Despite this, the Directors believe that the lack of innovation and product diversity of the Chinese textile industry together with its generally high production costs in areas such as energy, taxes, logistics, labor costs, and the increasing environmental pressure and the acceleration of the trend of relocating production base to the western part of China and overseas will lead to a bearish prospect for China's textile industry.

In the first half of 2017, although the profit of the Group's textile business has picked up a little, neither the asset returns nor sales margins were high. As an enterprise which embraces innovation as its core development strategy, the Group's textile business will continue to capitalise on its expertise and strengths and will strengthen its cooperation with Chinese and overseas universities, R&D institutions and upstream and downstream enterprises to further enhance independent innovation and joint innovation capability. The Group will also step up its efforts to develop the products and markets of high-end jacquard fabrics and to enhance the presence of the Company and its brands in the market. Meanwhile, with the emphasis on green textile, intelligent manufacturing and lean management, the Group will vigorously implement management improvement, technical upgrade and innovations, energy reduction, downsizing and efficiency enhancement and other measures to stringently minimize operating costs and optimise organizational effectiveness, with a view to maintaining the long-term and sustainable development of the Group's textile business.

In addition, as disclosed in the announcement of the Company dated 5 July 2017, the Group entered into a sale and purchase agreement with Eastfield Developments Limited as the purchaser (the "**Purchaser**") on 5 July 2017, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire, the entire issued share capital of Swift Power Limited, in order to improve the performance of the textile business of the Group.

SUPPLEMENTARY INFORMATION

USE OF PROCEEDS

The entire net proceeds from the initial public offering of the Company have been fully utilized. For details of the use of the proceeds raised from IPO, please refer to the prospectus and the announcement of the Company dated 23 January 2013.

The Company has placed an aggregate of 88,105,000 placing shares to not less than six placees at the placing price of HKD2.50 per placing share under specific mandate in June 2016. The net proceeds from the Placing were all applied as follows: (i) repay the promissory notes issued as part of the consideration for the acquisition of Solid Will Limited and its subsidiaries; and (ii) general working capital. As of 30 June 2017, the net proceeds have been used for the intended purpose. For more information on this Placing, please refer to the circular dated 11 April 2016 and the announcements dated 4 February 2016, 27 April 2016 and 7 June 2016.

In October 2016, the Company issued convertible bonds to CCB International Overseas Limited under general mandate. The proceeds were used for (i) working capital for development of certain television drama series of the Company; (ii) general working capital of the Group's film and television media business. As of 30 June 2017, the Company has used the proceeds of HKD159.2 million for the above disclosed purposes; while the surplus proceeds has been kept in the Company's bank account. For further details, please refer to the announcements of the Company dated 3 October 2016 and 14 October 2016.

The Company further issued convertible bonds under the special mandate to Dragon Capital Entertainment Fund One LP in December 2016, the net proceeds of which were intended to be used for the production of certain television drama series of the Group. As of 30 June 2017, the Company has used the proceeds of HKD122.4 million for the above disclosed purposes. For further details, please refer to the announcements of the Company dated 21 December 2016 and 28 February 2017.

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

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 June 2017, the directors of the Company (the "**Directors**") and chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code (as defined below):

Name of Directors	Name of Group member/ associated corporation	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Mr. LIU Dong *(Note 2)*	The Company	Interest of a controlled corporation	273,609,836 shares (L)	26.16%
	Excel Orient Limited	Beneficial owner	1 share (L)	100%
Mr. HE Han	The Company	Beneficial owner	14,008,000 shares (L)	1.34%

Notes:

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

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

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	**Name of Group member/ associated corporation**	**Capacity/nature of interest**	**Number and class of securities** *(Note 1)*	**Approximate percentage of shareholding**
Excel Orient Limited *(Note 2)*	The Company	Beneficial owner	273,609,836 shares (L)	26.16%
Ms. WANG Lingli *(Note 3)*	The Company	Family interest	273,609,836 shares (L)	26.16%
Dragon Capital Entertainment Fund One LP *(Note 4)*	The Company	Beneficial owner	247,933,884 shares (L)	23.71%
Dragon GP Partner Co *(Note 4)*	The Company	Interests of a controlled corporation	247,933,884 shares (L)	23.71%
China Huarong International Holdings Limited *(Note 5)*	The Company	Interests of a controlled corporation	247,933,884 shares (L)	23.71%
Huarong Real Estate Co. Ltd. *(Note 6)*	The Company	Interests of a controlled corporation	247,933,884 shares (L)	23.71%
China Huarong Asset Management Co., Ltd . *(Note 7)*	The Company	Interests of a controlled corporation	247,933,884 shares (L)	23.71%
Ministry of Finance of the PRC *(Note 8)*	The Company	Interests of a controlled corporation	247,933,884 shares (L)	23.71%
Aim Right Ventures Limited *(Note 9)*	The Company	Beneficial owner	202,472,656 shares (L)	19.36%
Mr. Liu Zhihua *(Note 9)*	The Company	Interests of a controlled corporation	202,472,656 shares (L)	19.36%
Ms. Zou Guoling *(Note 10)*	The Company	Interests of spouse	202,472,656 shares (L)	19.36%

Name of Shareholders	**Name of Group member/ associated corporation**	**Capacity/nature of interest**	**Number and class of securities** *(Note 1)*	**Approximate percentage of shareholding**
CCB International Overseas Limited *(Note 11)*	The Company	Beneficial owner	165,289,256 shares (L)	15.81%
CCB International (Holdings) Limited *(Note 11)*	The Company	Interests of a controlled corporation	165,289,256 shares (L)	15. 81%
CCB Financial Holdings Limited *(Note 12)*	The Company	Interests of a controlled corporation	165,289,256 shares (L)	15.81%
CCB International Group Holdings Limited *(Note 13)*	The Company	Interests of a controlled corporation	165,289,256 shares (L)	15.81%
China Construction Bank Corporation *(Note 14)*	The Company	Interests of a controlled corporation	165,289,256 shares (L)	15.81%
Central Huijin Investment Ltd. *(Note 15)*	The Company	Interests of a controlled corporation	165,289,256 shares (L)	15.81%

Notes:

1. *The letter "L" denotes the long position of the persons/entities (other than the Directors or chief executive of the Company) in the shares of the Company or the relevant Group member.*

2. *Excel Orient Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. LIU Dong, one of the executive Directors of the Company. Therefore, Mr. LIU Dong is also deemed to be interested in the shares held by Excel Orient Limited.*

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

4. *Pursuant to the terms of the conversion bonds issued to Dragon Capital Entertainment Fund One LP on 28 February 2017, assuming the conversion rights attached to the convertible bonds are exercised in full at the conversion price of HK$1.21 per conversion share, 247,933,884 new Shares will fall to be issued to Dragon Capital Entertainment Fund One LP. Dragon Capital Entertainment Fund One LP is an exempted limited partnership registered in the Cayman Islands controlled by Dragon GP Partner Co. By virtue of the SFO, Dragon GP Partner Co. is deemed to be interested in all the Shares held by Dragon Capital Entertainment Fund One LP.*

5. *Dragon GP Partner Co. is controlled by China Huarong International Holdings Limited. By virtue of the SFO, China Huarong International Holdings Limited is deemed to be interested in all the Shares which Dragon GP Partner Co. is interested in.*

6. *China Huarong International Holdings Limited is a limited liability company registered in the PRC owned as to 88.1% by Huarong Real Estate Co., Ltd. By virtue of the SFO, Huarong Real Estate Co., Ltd. is deemed to be interested in all the Shares which China Huarong International Holdings Limited is interested in.*

7. *Huarong Real Estate Co., Ltd. is a limited liability company registered in the PRC wholly owned by China Huarong Asset Management Co., Ltd. By virtue of the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in all the Shares which Huarong Real Estate Co., Ltd. is interested in.*

8. *China Huarong Asset Management Co., Ltd. is a limited liability company registered in the PRC owned as to 63.36% by the Ministry of Finance of the People's Republic of China. By virtue of the SFO, Ministry of Finance of the People's Republic of China is deemed to be interested in all the Shares which China Huarong Asset Management Co., Ltd. is interested in.*

9. *The shares are held by Aim Right Ventures Limited, a limited liability company incorporated in the BVI wholly owned by Mr. Liu Zhihua. By virtue of the SFO, Mr. Liu Zhihua is deemed to be interested in all the Shares held by Aim Right Ventures Limited.*

10. *Ms. Zou Guoling is the spouse of Mr. Liu Zhihua. By virtue of the SFO, Ms. Zou Guoling is deemed to be interested in all the Shares which Mr. Liu Zhihua is interested in.*

11. *Pursuant to the terms of the conversion bonds issued to CCB International Overseas Limited on 14 October 2016, assuming the conversion rights attached to the convertible bonds are exercised in full at the conversion price of HK$1.21 per conversion share, 165,289,256 new Shares will fall to be issued to CCB International Overseas Limited. CCB International Overseas Limited is a limited liability company incorporated in Hong Kong wholly owned by CCB International (Holdings) Limited. By virtue of the SFO, CCB International (Holdings) Limited is deemed to be interested in all the Shares held by CCB International Overseas Limited.*

12. *CCB International (Holdings) Limited is a limited liability company incorporated in Hong Kong and is wholly owned by CCB Financial Holdings Limited. By virtue of the SFO, CCB Financial Holdings Limited is deemed to be interested in all the Shares which CCB International (Holdings) Limited is interested in.*

13. *CCB Financial Holdings Limited is a limited liability company incorporated in Hong Kong and is wholly owned by CCB International Group Holdings Limited. By virtue of the SFO, CCB International Group Holdings Limited is deemed to be interested in all the Shares which CCB Financial Holdings Limited is interested in.*

14. *CCB International Group Holdings Limited is a limited liability company incorporated in Hong Kong and is wholly owned by China Construction Bank Corporation. By virtue of the SFO, China Construction Bank Corporation is deemed to be interested in all the Shares which CCB International Group Holdings Limited is interested in.*

15. *China Construction Bank Corporation is a joint stock limited company incorporated in the PRC with limited liability whose H shares are listed on the Main Board of the Stock Exchange with the stock code 0939. China Construction Bank Corporation is owned as to 57.31% by Central Huijin Investment Ltd. By virtue of the SFO, Central Huijin Investment Ltd is deemed to be interested in all the Shares which China Construction Bank Corporation is interested in.*

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

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

The Company had adopted the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and throughout the Period Under Review the Company had complied with the Code Provisions.

BOARD DIVERSITY POLICY

Code Provision A.5.6 stipulates that the nomination committee (the "**Nomination Committee**") (or the Board) should have a policy concerning diversity of Board members, and should disclose the policy or a summary of the policy in the corporate governance report (The code provision was effective from 1 September 2013).

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters (including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2017).

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

SHARE OPTION SCHEME

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

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

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

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

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "Share Option Scheme" in section headed "Statutory and General Information" in Appendix VI to the Prospectus dated 29 June 2012. The principal terms of the Share Option Scheme are summarised as follows:

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

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

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

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

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

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

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 80,000,000 shares, which represents 7.65% of the shares in issue of the Company as at the date of the listing of the shares of the Company on the Stock Exchange.

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

During the six months ended 30 June 2017, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme. The Company has no outstanding options as at 1 January 2016 and 30 June 2017.

Apart from the Share Option Scheme, at no time during the Period Under Review was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such right.

EVENTS AFTER THE REPORTING PERIOD

On 5 July 2017 (after trading hours), the Company entered into a sale and purchase agreement with Eastfield Developments Limited, pursuant to which the Company has conditionally agreed to sell, and Eastfield Developments Limited has conditionally agreed to acquire, the entire issued share capital of Swift Power Limited at the total consideration of RMB145.2 million. As at the date hereof, the completion of such transaction has not yet taken place.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2017 — unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2017 RMB'000**	2016 RMB'000
Revenue	*3*	**408,256**	347,190
Cost of sales and services		**(321,994)**	(282,501)
Gross profit		**86,262**	64,689
Other net gains	*4*	**52,222**	1,347
Distribution costs		**(11,943)**	(7,199)
Administrative expenses		**(50,296)**	(42,804)
Profit from operations		**76,245**	16,033
Finance income	*5(a)*	**6,929**	687
Finance costs	*5(a)*	**(40,484)**	(9,029)
Share of profit less loss of associates		**(4,020)**	(1,234)
Profit before taxation		**38,670**	6,457
Income tax	*6*	**(8,820)**	(1,152)
Profit for the period		**29,850**	5,305
Attributable to:			
Equity shareholders of the Company		**29,961**	5,305
Non-controlling interests		**(111)**	—
Profit for the period		**29,850**	5,305
Earnings per share (cents)	*7*		
Basic		**2.8650**	0.5476
Diluted		**0.0004**	0.5476

The accompanying notes form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2017 — unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Profit for the period	**29,850**	5,305
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**—**	399
Other comprehensive income for the period	**—**	399
Total comprehensive income for the period	**29,850**	5,704
Attributable to:		
Equity shareholders of the Company	**29,961**	5,704
Non-controlling interests	**(111)**	—
Total comprehensive income for the period	**29,850**	5,704

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017 — unaudited (continued)

(Expressed in Renminbi)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	8	434,421	455,748
Interests in leasehold land held for own use under operating leases	8	63,671	64,281
		498,092	520,029
Intangible assets		1,708	3,476
Goodwill		499,471	499,471
Investment in associates		3,439	7,459
Investments in equity securities		1,100	1,100
Other receivables	9	2,206	2,647
Deferred tax assets		855	1,095
		1,006,871	1,035,277
Current assets			
Inventories		166,664	164,938
Television drama series and films		127,267	118,892
Trade and other receivables	9	448,276	228,712
Pledged bank deposits	10	27,369	1,626
Cash and bank	11	234,638	198,037
		1,004,214	712,205
Current liabilities			
Trade and other payables	12	208,292	227,313
Bank loans and other borrowings		253,250	195,000
Obligations under finance leases		—	3,850
Current taxation		18,867	14,221
		480,409	440,384
Net current assets		523,805	271,821
Total assets less current liabilities		1,530,676	1,307,098

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current liabilities			
Non-current borrowings	*13*	399,062	206,104
Deferred tax liabilities		1,870	1,100
		400,932	207,204
Net assets		1,129,744	1,099,894
Capital and reserves			
Share capital	*14(b)*	66,559	66,559
Reserves		1,053,917	1,023,956
Total equity attributable to equity shareholders of the Company		1,120,476	1,090,515
Non-controlling interests		9,268	9,379
Total equity		1,129,744	1,099,894

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2017 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserves RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	60,785	348,608	(909)	–	57,599	119,359	300,098	885,540	–	885,540
Change in equity for the six months ended 30 June 2016:										
Profit for the period	–	–	–	–	–	–	5,305	5,305	–	5,305
Other comprehensive income	–	–	–	399	–	–	–	399	–	399
Total comprehensive income	–	–	–	399	–	–	5,305	5,704	–	5,704
Shares issuance	5,774	174,676	–	–	–	–	–	180,450	–	180,450
Balance at 30 June 2016	66,559	523,284	(909)	399	57,599	119,359	305,403	1,071,694	–	1,071,694
Balance at 1 January 2017	66,559	523,284	(909)	–	64,743	119,359	317,479	1,090,515	9,379	1,099,894
Change in equity for the six months ended 30 June 2017:										
Profit for the period	–	–	–	–	–	–	29,961	29,961	(111)	29,850
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	29,961	29,961	(111)	29,850
Balance at 30 June 2017	66,559	523,284	(909)	–	64,743	119,359	347,440	1,120,476	9,268	1,129,744

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2017 — unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2017	2016
	Note	RMB'000	RMB'000
Operating activities			
Cash (used in)/generated from operations		(183,134)	11,530
Tax paid		(3,164)	(75)
Net cash (used in)/generated from operating activities		(186,298)	11,455
Investing activities			
Payment for the purchase of property, plant and equipment		(14,107)	(32,536)
Other cash flows arising from investing activities		(22,920)	(604)
Net cash used in investing activities		(37,027)	(33,140)
Financing activities			
Proceeds from issuance of convertible bonds		265,740	—
Proceeds from shares issuance		—	180,450
Repayment of promissory note		—	(168,916)
Other cash flows arising from financing activities		(2,874)	17,969
Net cash generated from financing activities		262,866	29,503
Net increase in cash and cash equivalents		39,541	7,818
Cash and cash equivalents at 1 January	*11*	173,037	113,331
Effect of foreign exchange rates changes		(2,940)	570
Cash and cash equivalents at 30 June	*11*	209,638	121,719

The accompanying notes form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, Interim financial reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 22 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

3 SEGMENT REPORTING

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

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

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

	Textile		Media		Total	
For the six months ended	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Revenue from external customers	336,743	316,289	71,513	30,901	408,256	347,190
Inter-segment revenue	—	—	—	—	—	—
Reportable segment revenue	336,743	316,289	71,513	30,901	408,256	347,190
Reportable segment profit or loss (adjusted EBT)	17,365	(4,072)	12,962	12,896	30,327	8,824
As at 30 June/31 December						
Reportable segment assets	919,786	919,456	907,076	764,805	1,826,862	1,684,261
Reportable segment liabilities	336,149	322,717	137,590	135,794	473,739	458,511

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

3 SEGMENT REPORTING (Continued)

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Profit		
Total reportable segment profit	30,327	8,824
Elimination of inter-segment profits	—	—
Reportable segment profit derived from the Group's external customers	30,327	8,824
Finance cost	(34,881)	—
Other net gains	50,339	—
Unallocated head office and corporate expenses (net)	(7,115)	(2,367)
Consolidated profit before taxation	38,670	6,457

4 OTHER NET GAINS

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Changes in fair value of derivatives embedded in convertible bonds	50,339	—
Government grants	3,108	454
Net gain on sale of raw materials and scrap materials	59	2,793
Net loss on disposal of property, plant and equipment	(779)	(2,384)
Others	(505)	484
	52,222	1,347

5 PROFIT BEFORE TAXATION

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

(a) Finance income and finance costs

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Finance income		
Interest income on bank deposits	(338)	(322)
Foreign exchange gain arising on settlement or translation of foreign currency monetary items	(6,591)	(365)
	(6,929)	(687)
Finance costs		
Interest on bank loans and other borrowings	37,238	6,163
Less: interest capitalised into property, plant and equipment*	—	(196)
Interest expenses	37,238	5,967
Finance charges on obligations under finance leases	31	546
Foreign exchange loss arising on settlement or translation of foreign currency monetary items	2,012	1,690
Other finance charges	1,203	826
	40,484	9,029

* *The borrowing costs were capitalised at a rate of 4.61% per annum for the period ended 30 June 2016.*

(b) Other items

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Amortisation		
— leasehold land	700	649
— intangible assets	1,768	1,768
Depreciation	29,283	28,837
Operating lease charges: minimum leases payments	3,617	1,990
Impairment loss on trade and other receivables	750	400
Reversal of impairment loss on trade and other receivables	(173)	(340)

6 INCOME TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current tax	**7,810**	856
Deferred tax	**1,010**	296
	8,820	1,152

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

(ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the six months ended 30 June 2017 and 2016, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

(iii) For the six months ended 30 June 2017, the Group's PRC subsidiaries are subject to income tax rate of 25% (2016: 25%).

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

(v) Pursuant to the PRC Enterprise Income Tax preferential policies in Horgos of Xinjiang province, Horgos Star Rise Culture Media Co., Ltd., Horgos Yingsheng Film and TV Culture Co., Ltd. and Horgos Star Rise Dacheng Culture Development Co., Ltd., subsidiaries of the Company located in Horgos of Xinjiang province and are principally engaged in the production and distribution of television drama series, are entitled to a tax holiday of 5-year full exemption on Enterprise Income Tax commencing from the first revenue-generating year. For Horgos Star Rise Culture Media Co., Ltd. and Horgos Yingsheng Film and TV Culture Co., Ltd., the first exemption year is 2016. For Horgos Star Rise Dacheng Culture Development Co., Ltd., the first exemption year is 2017.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the profit attributable to ordinary equity shareholders of the Company of RMB29,961,000 (for the period ended 30 June 2016: RMB5,305,000) and the weighted average of 1,045,749,656 shares (six months ended 30 June 2016: 968,778,804 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2017 is based on the profit attributable to ordinary equity shareholders of the Company of RMB5,000 (for the period ended 30 June 2016: RMB5,305,000) and the weighted average number of ordinary shares of 1,379,524,369 shares (six months ended 30 June 2016: 968,778,804 shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Profit attributable to ordinary equity shareholders	**29,961**	5,305
After tax effect of gains recognised on the derivative component of convertible bonds	**(50,339)**	—
After tax effect of effective interest on the liability component of convertible bonds	**31,254**	—
After tax effect of foreign exchange gains arising on translation of convertible bonds	**(10,871)**	—
Profit attributable to ordinary equity shareholders (diluted)	**5**	5,305

7 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

(ii) Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2017	2016
	'000	'000
Weighted average number of ordinary shares	**1,045,750**	968,779
Effect of conversion of convertible bonds *(note 13(b))*	**333,774**	—
Weighted average number of ordinary shares (diluted)	**1,379,524**	968,779

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

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of RMB8,990,000 (six months ended 30 June 2016: RMB20,642,000) and interests in leasehold land under operating leases with a cost of RMB90,000 (six months ended 30 June 2016: RMB7,778,000). Items of machinery with a net book value of RMB1,034,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB2,616,000), resulting in a loss on disposal of RMB779,000 (six months ended 30 June 2016: RMB2,384,000).

9 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Current	163,136	109,350
Less than 3 months past due	9,180	1,032
3 to 6 months past due	55	5,906
6 to 12 months past due	20,239	3,825
Over 1 year past due	158	—
Trade debtors and bills receivable, net of allowance for doubtful debts *(note 1)*	192,768	120,113
Prepayments relating to purchases of raw materials	30,741	40,450
Prepayments and advance relating to television drama series and films	191,829	37,053
Prepayments relating to purchases of property, plant and equipment	3,732	758
Deferred expense	6,575	4,502
Value-added tax recoverable	8,902	9,195
Advance to third parties *(note 2)*	8,514	1,522
Amount due from an associate	33	9,028
Loans to an associate	—	2,000
Other receivables	7,388	6,738
	450,482	231,359
Other receivables expected to be recovered or recognised as expense after more than one year	(2,206)	(2,647)
Trade and other receivables expected to be recovered or recognised as expense within one year	448,276	228,712

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

Note 2: *The advance to third parties are unsecured, interest-free and repayable on demand.*

10 PLEDGED BANK DEPOSITS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Guarantee deposits for issuance of commercial bills and bank acceptance	3,658	1,626
Fixed bank deposits pledged for bank loans	23,711	—
	27,369	1,626

11 CASH AND CASH EQUIVALENTS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bank deposits	234,614	197,981
Cash in hand	24	56
Cash and bank in the consolidated statement of financial position	234,638	198,037
Fixed bank deposits to be matured after three months but within one year	(25,000)	(25,000)
Cash and cash equivalents in the condensed consolidated cash flow statement	209,638	173,037

12 TRADE AND OTHER PAYABLES

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Due within 3 months or on demand	66,699	89,405
Due after 3 months but within 6 months	5,759	7,227
Due after 6 months but within 12 months	3,875	3,943
Trade creditors and bills payable	76,333	100,575
Advance received	18,747	24,231
Accrued charges	17,459	16,071
Taxes payable other than income tax	28,688	24,332
Payables relating to purchases of property, plant and equipment	8,756	10,899
Payables relating to television drama series and films	29,414	16,554
Advance from third parties	13,800	15,172
Amount due to an associate	—	5,479
Other payables	15,095	14,000
	208,292	227,313

13 NON-CURRENT BORROWINGS

(a) The analysis of the carrying amount of non-current borrowings is as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Convertible bonds *(note 13(b))*		
— liability component	389,515	161,451
— derivative component	9,547	25,941
Unsecured bank loans	—	10,000
Loans from a non-controlling shareholder	—	8,712
	399,062	206,104

Except the derivative component of convertible bonds, which is carried at fair value, all other borrowings are carried at amortised cost. None of the borrowings is expected to be settled within one year.

13 NON-CURRENT BORROWINGS (Continued)

(b) Significant terms and repayment schedule of non-current borrowings

(i) 2016 Convertible bonds

On 14 October 2016, the Company issued convertible bonds with a face value of HKD200,000,000 and a maturity date on 14 October 2018, which is extendable to 14 October 2019 if agreed by the Company and the bondholders. The convertible bonds bear a nominal interest rate at 7% per annum and are guaranteed by Liu Dong and Liu Zhihua, shareholders of the Company.

The rights of the bondholders to convert the bonds into ordinary shares are as follows:

- Conversion rights are exercisable, wholly or partially, at any time up to maturity, or extended maturity, at the bondholders' option.
- If a bondholder exercises its conversion rights, the Company is required to deliver ordinary shares at the conversion price of HKD1.21 per share (subject to adjustments).

Bonds in respect of which conversion rights have not been exercised, will be redeemed at face value on 14 October 2018 or, if extended, on 14 October 2019.

The convertible bonds contain two components, i.e. liability component and derivative component. The effective interest rate of the liability component is 19% per annum. The derivatives embedded in convertible bonds are measured at fair value with changes in fair value recognised in the profit or loss.

(ii) 2017 Convertible bonds

On 28 February 2017, the Company issued convertible bonds with a face value of HKD300,000,000 and a maturity date on 28 February 2019, which is extendable to 28 February 2020,28 February 2021 or 28 February 2022 if agreed by the Company and the bondholders. The convertible bonds bear a nominal interest rate at 5% per annum and are guaranteed by Liu Zhihua, a shareholder of the Company.

The rights of the bondholders to convert the bonds into ordinary shares are as follows:

- Conversion rights are exercisable, wholly or partially, at any time up to maturity, or extended maturity, at the bondholders' option.
- If a bondholder exercises its conversion rights, the Company is required to deliver ordinary shares at the conversion price of HKD1.21 per share (subject to adjustments).

Bonds in respect of which conversion rights have not been exercised, will be redeemed at face value on 28 February 2019 or, if extended, on 28 February 2020, 28 February 2021 or 28 February 2022.

The convertible bonds contain two components, i.e. liability component and derivative component. The effective interest rate of the liability component is 22% per annum. The derivatives embedded in convertible bonds are measured at fair value with changes in fair value recognised in the profit or loss.

14 CAPITAL AND DIVIDENDS

(a) Dividend

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

	2017 RMB'000	2016 RMB'000
Interim dividend declared after the interim period of RMB nil per share (2016: RMB nil)	—	—

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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period	—	—

(b) Share capital

	At 30 June 2017		At 31 December 2016	
	No. of shares	RMB'000	No. of shares	RMB'000
Authorised:				
Ordinary shares of USD0.01 each	1,045,749,656	66,559	10,000,000,000	632,110
Ordinary shares, issued and fully paid:				
At 1 January	1,045,749,656	66,559	957,644,656	60,785
Share issuance	—	—	88,105,000	5,774
At 30 June and 31 December	1,045,749,656	66,559	1,045,749,656	66,559

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including derivatives embedded in convertible bonds which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held to coincide with the reporting dates twice a year.

	Fair value at 30 June 2017	Fair value measurements as at 30 June 2017 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Derivatives embedded in convertible bonds	9,547	—	—	9,547

	Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Derivatives embedded in convertible bonds	25,941	—	—	25,941

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Derivatives embedded in convertible bonds	Black Scholes model	Expected volatility	21% to 50% (2016: 21% to 43%)	40% (2016: 38%)

The fair value of the derivatives embedded in the convertible bonds is determined using Black Scholes model and the significant input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 June 2017, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would have decreased/increased the Group's profit after tax by RMB11,283,000/RMB6,943,000 (2016: RMB8,945,000/ RMB8,945,000).

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2017 RMB'000	2016 RMB'000
Derivatives embedded in convertible bonds:		
At 1 January	25,941	—
On issuance	35,432	
Change in fair value recognized in profit or loss for the period	(50,339)	—
Exchange adjustments	(1,487)	—
At 30 June	9,547	—
Total (gains) or loss for the period included in profit or loss	(51,826)	—

The gains arising from the remeasurement of the derivative component of the convertible bonds are presented in "other net gains" in the consolidated statement of profit or loss.

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair value of financial liabilities carried at other than fair value

The carrying amounts of the Group's financial instrument carried at cost or amortised cost were not materially different from their fair values as at 31 December 2016 and 30 June 2017 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2017		At 31 December 2016	
	Carrying amounts RMB'000	Fair value RMB'000	Carrying amounts RMB'000	Fair value RMB'000
Convertible bonds — liability component	389,515	398,375	161,451	163,695

16 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2017 and 31 December 2016 not provided for in the interim financial report were as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Contracted for		
— Purchase of property, plant and equipment	5,750	4,410
— Acquiring services relating to production of television drama series and films	6,462	3,363
	12,212	7,773

(b) At 30 June 2017 and 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year	2,300	2,300

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Short-term employee benefits	**2,514**	2,406
Post-employment benefits	**74**	70
	2,588	2,476

(b) Transactions with related parties

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Provision of services	**31**	7,841
Procurement of services	**37**	—

(c) Balances with related parties

As at 30 June 2017 and 31 December 2016, the Group had the following balances with related parties:

	At 30 June 2017	At 31 December 2016
	RMB'000	RMB'000
Amount due from an associate	**33**	9,028
Amount due to an associate	**—**	5,479
Loans to an associate	**—**	2,000

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

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

18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have significant financial liabilities designated at FVTPL and therefore this new requirement may not have material impact on the Group on adoption of IFRS 9.

18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (Continued)

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or life time expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (Continued)

IFRS 15, Revenue from contracts with customers (Continued)

(a) Timing of revenue recognition (Continued)

As a result of this change from the risk-and-reward approach to the contract-by contract transfer-of-control approach, it is possible that once the Group adopts IFRS 15 some of the Group's media distribution and licensing activities that are currently recognised at a point in time may meet the IFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once IFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue.

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of IFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (Continued)

IFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt IFRS 16 in its 2018 consolidated financial statements.

By order of the Board
Silverman Holdings Limited
LIU Dong
Chairman

Shandong, the PRC
22 August 2017