

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

(Incorporated in the Cayman Islands with limited liability)
(Stock code : 00953)

INTERIM REPORT 2017



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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Ruigang

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Hui To Thomas

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

ALTERNATE DIRECTOR

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

BOARD COMMITTEES

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Miss Chan Yin Yi Annie

AUTHORISED REPRESENTATIVES

Mr. Gu Jiong
Miss Chan Yin Yi Annie

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

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

STOCK CODE

00953

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House - 3rd Floor
24 Sheddon Road, P. O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

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

AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISER TO CAYMAN ISLANDS

Conyers Dill & Pearman, Cayman

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
DBS Bank (Hong Kong) Limited

WEBSITE

www.shawbrotherspictures.com

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the reporting period ended 30 June 2017 (the “Period”), the Group achieved further development in the entertainment business on the back of successful refinement of business strategy undertaken in 2016. Despite the slowdown of growth of movie box office in the overall industry environment, the Group still places confidence in the long-run prospect of entertainment industry and thus has continued allocation of substantial resources in the entertainment business.

BUSINESS REVIEW

ENTERTAINMENT

During the Period, the entertainment industry generated revenues of approximately RMB37,444,000 (six months ended 30 June 2016: RMB Nil). The following table sets out the total revenues of the Group’s income from entertainment business for the periods ended 30 June 2017 and 30 June 2016.

	Six months ended 30 June			
	2017		2016	
	Investments in films and production RMB’000	Artiste and event management RMB’000	Investments in films and production RMB’000	Artiste and event management RMB’000
Revenue	12,521	24,923	–	–

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

The term of the above cooperation framework agreement is 3 years from 1 January 2017 to 31 December 2019, subject to the fulfilment of the condition precedent of the cooperation framework agreement when the Company has complied with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The above cooperation framework agreement has been approved by the shareholders of the Company (the “Shareholders”) at the extraordinary general meeting dated 13 March 2017. Details of such cooperation framework agreement are set out in the Company’s announcements dated 29 November 2016 and 16 February 2017 and its circular despatched to Shareholders on 17 February 2017.

FILM BUSINESS

During the Period, the Group has invested in two films, namely “Sons of the Neon Night” (風林火山) and “House of the Rising Sons” (我要高飛). “Sons of the Neon Night” (風林火山) is an adventure action film directed by Juno Mak and starring Takeshi Kaneshiro (金城武), Tony Leung (梁家輝), Louis Koo (古天樂), Sean Lau (劉青雲) and Gao Yuanyuan (高圓圓). “House of the Rising Sons”(我要高飛) is an inspirational film directed by Antony Chan (陳友) which narrates the growth of a team of young people who are enthusiastic in music.

MANAGEMENT DISCUSSION AND ANALYSIS

DRAMA AND NON-DRAMA PROJECT

During the Period, the Group has started production of “Flytiger” (飛虎極戰) directed by Raymond Lee (李惠民) and starring Bosco Wong (黃宗澤), Michael Miu (苗喬偉) and Ron Ng (吳卓羲). It is a drama series production that is expected to be completed in the fourth quarter of 2017 and expected to begin first broadcasting in YUKU (優酷) and its connected platforms in the first quarter of 2018. The Group has as well signed a Memorandum of Understanding with iQiyi (愛奇藝) in the second quarter of the Period, in which the Group will take the lead to produce a drama tentatively named “The Guard” (守護神). On the other hand, the Group has completed the production of a non-drama series “One of us” (勝利的遊戲) through its non-wholly owned subsidiary, Tailor Made Production Limited (“Tailor Made”), with co-production of YUKU (優酷) and YOUNGER CULTURE (亞歌文化), which has started to show online on various platforms in the Period.

ARTISTE AND EVENT MANAGEMENT

As disclosed in the announcement of the Company dated 29 March 2017, Tailor Made had entered into artist management agreements with each of Good Servant Production Limited and Esther Communications Limited on 1 September 2016 for the engagement of Tailor Made as the sole and exclusive agent of Mr. Wong Cho Lam and his spouse, Miss Li Yanna Leanne, respectively in the entertainment industry.

Mr. Wong Cho Lam is a director and substantial shareholder of Tailor Made. Mr. Wong Cho Lam, Miss Li Yanna Leanne, Good Servant Production Limited and Esther Communications Limited are connected persons of the Company at the subsidiary level under the Listing Rules. Details of the above continuing connected transactions are set out in the Company’s announcement dated 29 March 2017.

During the Period, the Group recorded revenue of approximately RMB24,923,000 from artiste and event management. On top of those 5 artistes who have signed artiste management contracts with the Group in 2016, more than 15 artistes have also joined the Group during the Period, which has further strengthened the artiste portfolio of the Company and empowered the Group to develop in this artiste and event management segment as well as in other segments of the Company. It demonstrates that the Company can benefit from not only integrated industry chain but also diversification of business lines.

SPORTSWEAR

The sales of sportswear has decreased by approximately RMB6,667,000 to approximately RMB43,990,000 for the Period from approximately RMB50,657,000 for the corresponding period in 2016, mainly as a result of declining and stagnant market condition.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the Period, the Group recorded a consolidated revenue of approximately RMB81,434,000 (six months ended 30 June 2016: approximately RMB50,657,000), representing an increase of approximately 60.8% or approximately RMB30,777,000. Loss for the Period amounted to RMB1,622,000, approximately decreased by RMB18,715,000 as compared to loss of approximately RMB20,337,000 for the six months ended 30 June 2016, which was mainly due to the positive contribution from entertainment business and substantial decrease in impairment loss of trade receivables and property, plant and equipment. For the Period, earnings per share amounted to approximately RMB0.14 cent (six months ended 30 June 2016: loss per share approximately RMB1.6 cents).

The increase in revenue was mainly attributable to the contribution by entertainment business that generated a revenue and gross profit of approximately RMB37,444,000 and RMB9,344,000 respectively for the Period (six months ended 30 June 2016: revenue and gross profit: RMB Nil and RMB Nil respectively).

REVENUE

The revenue of entertainment business is mainly contributed by film and drama and non-drama businesses and artiste and event management. Films investments and production generated revenue and gross profit of approximately RMB12,521,000 and RMB122,000 respectively, and artiste and event management generated revenue and gross profit of approximately RMB24,923,000 and RMB9,222,000 respectively. As for sportswear business, the sales decreased from approximately RMB50,657,000 for the period ended 30 June 2016 to approximately RMB43,990,000 for the Period and the gross profit amounted to approximately RMB7,472,000 for the Period (six months ended 30 June 2016: approximately RMB8,671,000).

Segment and geographical information for the period ended 30 June 2017:

	The PRC RMB'000	Hong Kong RMB'000	Total RMB'000
Revenue			
Investments in films and production	12,521	–	12,521
Artiste and event management	20,257	4,666	24,923
Sportswear	43,990	–	43,990
	<hr/> 76,768	<hr/> 4,666	<hr/> 81,434
Gross profit			
Investments in films and production	122	–	122
Artiste and event management	6,056	3,166	9,222
Sportswear	7,472	–	7,472
	<hr/> 13,650	<hr/> 3,166	<hr/> 16,816

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF SALES

Cost of sales increased by approximately 53.9% to approximately RMB64,618,000 for the Period (six months ended 30 June 2016: approximately RMB41,986,000).

Cost of sales in entertainment business was approximately RMB28,100,000 for the Period (six months ended 30 June 2016: RMB Nil), of which the investment costs of films and drama and non-drama amounted to approximately RMB12,399,000, and the direct costs incurred for artiste and event management amounted to approximately RMB15,701,000. The cost of sales of sportswear business decreased by approximately 13.0% to approximately RMB36,518,000 for the Period (six months ended 30 June 2016: approximately RMB41,986,000) primarily as a result of the overall decrease in the sales of sportswear.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 17.3% from approximately RMB2,073,000 for the six months ended 30 June 2016 to approximately RMB1,715,000 for the Period, primarily as a result of the decrease in sales of sportswear.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 53.8% from approximately RMB12,191,000 for the six months ended 30 June 2016 to approximately RMB18,753,000 for the Period, primarily due to the increase in overheads of general operation.

INCOME TAX

The Group did not have any income tax expense for both periods ended 30 June 2017 and 2016.

INVENTORIES AND PROVISION FOR INVENTORIES

The Group generally procures for sportswear raw materials and commences production after confirming purchase orders with distributors subsequent to sales fairs to control the level of inventories at an optimal level. Inventories increased by approximately 21.5% from approximately RMB17,010,000 as at 31 December 2016 to approximately RMB20,668,000 as at 30 June 2017.

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

No allowance has been made on finished goods as at 30 June 2017 (31 December 2016: RMBNil).

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

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE AND OTHER RECEIVABLES AND PROVISION FOR IMPAIRMENT LOSS

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

Trade receivables, net of provision of impairment loss, decreased by approximately 17.8% from approximately RMB64,826,000 as at 31 December 2016 to approximately RMB53,306,000 as at 30 June 2017.

The Group estimated impairment loss on trade and other receivables resulting from the inability of customers to make the required payments and there was objective evidence that the Group would not be able to collect all amounts due. The Group made the estimates based on the payment history, customer's credit worthiness, historical write-off experience and default or delinquency in payments. During the Period, impairment loss in respect of trade and other receivables were recognised in the consolidated statement of profit or loss amounting to approximately RMB4,333,000 (six months ended 30 June 2016: approximately RMB13,956,000).

Details of trade and other receivables as at 30 June 2017 are set out in Note 13 to the consolidated financial statements in this interim report.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources and bank borrowings. As at 30 June 2017, bank balances and cash in hand and short-term bank deposits amounted to approximately RMB369,942,000, increased by approximately RMB25,705,000 from RMB344,237,000 as at 31 December 2016. As at 30 June 2017, the Group's bank and cash balances were denominated in Renminbi, Hong Kong Dollars and United States Dollars.

PLEDGE OF ASSETS

As at 30 June 2017, the Group secured its bank borrowings by prepaid land lease payments and buildings held for own use with an aggregate carrying amount of approximately RMB59,967,000 (31 December 2016: approximately RMB61,796,000).

CAPITAL STRUCTURE

As at 30 June 2017, the Group's equity attributable to owners of the Company increased by approximately 0.5% to approximately RMB415,890,000 (31 December 2016: approximately RMB413,839,000). Total assets amounted to approximately RMB667,357,000 (31 December 2016: approximately RMB621,583,000) which included current assets amounting to approximately RMB603,694,000 (31 December 2016: approximately RMB555,853,000). Current liabilities were approximately RMB224,616,000 (31 December 2016: approximately RMB177,220,000). Net assets value per share attributable to the owners of the Company as at 30 June 2017 was approximately RMB29.3 cents (31 December 2016: approximately RMB30.8 cents). Current ratio was approximately 2.69 as at 30 June 2017 (31 December 2016: approximately 3.14).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2017 and 31 December 2016, the Group did not have any material capital commitments and contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSEQUENT EVENT

On 26 July 2017, the Company had entered into an agreement with Champ Luck Enterprise Limited (the “Purchaser”), a 49% shareholder of Amber Jungle Limited (the “Target Company”), pursuant to which the Company agreed to sell and the Purchaser has agreed to acquire the 51% of the issued share capital of the Target Company, representing 51% of the issued share capital of the Target Company, for a total cash consideration of HK\$41,000,000 (the “Disposal”). Details of the proposed Disposal are set out in the announcement dated 26 July 2017.

Considering the market conditions and the loss incurred by the Target Company and its subsidiaries (the “Target Group”) since 2014, the Group expects to continue to suffer loss and net cash outflows from operating activities of the Target Group in the coming years as the Group is unable to expand the domestic distribution channels and can only rely on the export sales with lower profit margin, if the Target Group is not disposed. Not to mention, that the Group can enjoy an estimated gain (before expenses) on the Disposal of approximately HK\$912,000 so that the Group can realize the capital invested in the Target Company and improve the overall financial position of the Group, and put these resources to expand the new artiste management business and seek more artistes to join the Group. The Directors believe that it is in the interest of the Company and the shareholders as a whole. Upon Completion, the Group will no longer need to make further capital contribution to the Target Group for its operations. The Group can allocate more financial resources and management efforts to potential investment opportunities on film investment projects and artiste management business which could derive more attractive returns to the Group.

The Purchaser holds 49% of the total issued share capital of the Target Company and is therefore a connected person (as defined in the Listing Rules) of the Company at the subsidiary level. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. A circular containing, among other things, further details of the Agreement and the Disposal together with any other information required to be disclosed under the Listing Rules and a notice of an extraordinary general meeting regarding the approval of the above Disposal, is expected to be dispatched to the Shareholders on or before 24 August 2017. Details of the Disposal are set out in the announcement dated 26 July 2017.

Save as disclosed above, the Company does not have any other significant events after the Period.

PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS AND NET PROFIT (LOSS) MARGIN

For the Period, profit attributable to the owners of the Company amounted to approximately RMB2,051,000 (six months ended 30 June 2016: loss attributable to the owners of the Company amounted to approximately RMB20,337,000). Net profit margin of the Group is approximately 2.5% (six months ended 30 June 2016: net loss margin approximately 40.1%).

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC and Hong Kong with most of its transactions settled in Renminbi and Hong Kong Dollars. Part of the Group’s cash and bank deposits is denominated in Hong Kong Dollars and United States Dollars.

During the Period, the Group did not hedge any exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

As at 30 June 2017, the gearing ratio of the Group was approximately 18.3% (31 December 2016: approximately 19.6%), which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

INTEREST-BEARING BANK BORROWINGS

As at 30 June 2017, the Group's bank borrowings amounted to approximately RMB121,800,000, bearing interest rates from 4.39% to 5.00%, which are all due within one year.

HUMAN RESOURCES

As at 30 June 2017, the Group had a total of 508 employees (31 December 2016: 528 employees).

OTHER INFORMATION

INTERIM DIVIDEND

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

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

As at 30 June 2017, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, to be noticed to the Company and the Stock Exchange, were as follows:

LONG POSITION IN THE SHARES AND IN THE UNDERLYING SHARES

Name of Directors	Capacity/Nature	No. of shares/ underlying shares interested	Approximately percentage of shareholding (Note 1)
Mr. Li Ruigang	Interest of controlled corporation	425,000,000 (Note 2)	29.94%
Mr. Ding Siqiang	Beneficial owner	4,034,000	0.28%
Ms. Ding Xueleng	Interest of spouse	4,034,000 (Note 3)	0.28%

Notes:

1. The percentage was calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2017, which was 1,419,610,000.
2. Mr. Li Ruigang ("Mr. Li") was interested in such 425,000,000 Shares through certain corporations controlled directly or indirectly by him. Shine Investment Limited ("Shine Investment"), Shine Holdings Cayman Limited ("Shine Holdings"), CMC Shine Acquisition Limited ("CMC Shine Acquisition"), CMC Shine Holdings Limited ("CMC Shine Holdings"), CMC Holdings Limited ("CMC Holdings"), GLRG Holdings Limited ("GLRG Holdings") and Gold Pioneer Worldwide Limited ("Gold Pioneer") were the substantial shareholders of the Company, Shine Investment was interested in such 425,000,000 Shares. Shine Investment was 85% owned by Shine Holdings which was wholly-owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Holdings. CMC Holdings was 86.19% owned by Gold Pioneer and 0.48% owned by GLRG Holdings which was wholly-owned by Gold Pioneer. Therefore, each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Holdings, GLRG Holdings and Gold Pioneer was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Gold Pioneer was 100% owned by Mr. Li.
3. Ms. Ding Xueleng is the spouse of Mr. Ding Siqiang. She is deemed or taken to be interested in all the Shares that Mr. Ding Siqiang was interested in.

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

OTHER INFORMATION

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

As at 30 June 2017, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

LONG POSITION IN SHARES

Name of substantial shareholders	Capacity	No. of shares held	Percentage of issued share capital of the Company
			(Note 4)
Gold Pioneer Worldwide Limited	Interest of controlled corporation	425,000,000 [#] (Note 1)	29.94%
GLRG Holdings Limited	Interest of controlled corporation	425,000,000 [#] (Note 1)	29.94%
CMC Holdings Limited	Interest of controlled corporation	425,000,000 [#] (Note 1)	29.94%
CMC Shine Holdings Limited	Interest of controlled corporation	425,000,000 [#] (Note 1)	29.94%
CMC Shine Acquisition Limited	Interest of controlled corporation	425,000,000 [#] (Note 1)	29.94%
Shine Holdings Cayman Limited	Interest of controlled corporation	425,000,000 [#] (Notes 1 and 3)	29.94%
Shine Investment Limited	Beneficial owner	425,000,000 [#] (Notes 1 and 3)	29.94%
Television Broadcast Limited	Deemed interest	425,000,000 [#] (Notes 2 and 3)	29.94%
Mr. Xie Qing Yu	Beneficial owner	88,052,000	6.20%

Note:

Duplication of shareholdings accrued between parties[#] shown in the above table.

At 30 June 2017 and according to the information of the corporate/individual substantial shareholder(s) of the Company as shown on the website of the Stock Exchange.

- Shine Investment, Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Holdings, GLRG Holdings and Gold Pioneer were the substantial shareholders of the Company. Shine Investment was interested in such 425,000,000 Shares. Shine Investment was 85% owned by Shine Holdings which was wholly-owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Holdings. CMC Holdings was 86.19% owned by Gold Pioneer and 0.48% owned by GLRG Holdings which was wholly-owned by Gold Pioneer. Therefore, each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Holdings, GLRG Holdings and Gold Pioneer was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Gold Pioneer was 100% owned by Mr. Li. Mr. Li was interested in such 425,000,000 Shares through the above corporations controlled directly or indirectly by him.
- Television Broadcast Limited ("TVB") was deemed to be interested in such 425,000,000 Shares through its interest in Shine Investment (also see Note 3 below).

OTHER INFORMATION

3. Shine Investment, Shine Holdings and TVB were parties of the agreement (the "Agreement") to hold the interest in such 425,000,000 Shares. The Agreement was the one to which section 317 of the SFO applied.
4. Percentage of issued share capital of the Company was calculated according to 1,419,600,000 Shares in issue.
5. In this Section, "Share(s)" mean ordinary share(s) of the Company.

Save as disclosed above, as at 30 June 2017, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CHANGE IN INFORMATION OF DIRECTORS

During the Period, the Board approved the increase of director's fee to the independent non-executive Directors of the Company from HK\$10,000 per month to HK\$15,000 per month with effect from 1 April 2017.

Save as disclosed above, as at 30 June 2017, there had not been any other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules during the Period, save for the following:

CODE PROVISION E.1.2

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

Mr. Li Ruigang, the Chairman of the Board, was unable to attend the AGM for 2017 due to other prior business engagement. However, Mr. Thomas Hui To, a non-executive Director chaired the AGM for 2017 and answered questions from the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as the code of conduct regarding directors' securities transactions. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

OTHER INFORMATION

AUDIT COMMITTEE

The Company has an audit committee (the “Audit Committee”) with terms of reference aligned with the provision of the Code as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee comprises three members, Mr. Poon Kwok Hing Albert (Chairman), Mr. Pang Hong and Miss Szeto Wai Ling Virginia, all are independent non-executive directors.

During the Period, the Audit Committee reviewed the unaudited condensed consolidated interim financial statements of the Group for the Period. The Audit Committee has reviewed this report and has provided advice and comments thereon to the Board. The Audit Committee is of the opinion that this report complied with applicable accounting standards, the Listing Rules, and that adequate disclosures have been made.

SHARE OPTION SCHEME

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

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

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

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

During the Period, no option has been granted by the Company.

PUBLIC FLOAT

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

TO THE MEMBERS OF SHAW BROTHERS HOLDINGS LIMITED

邵氏兄弟控股有限公司

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shaw Brothers Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 16 to 34, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

21 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	4	81,434	50,657
Cost of sales		(64,618)	(41,986)
Gross profit		16,816	8,671
Other income		10,001	11,788
Impairment loss recognised in respect of property, plant and equipment	11	(389)	(8,604)
Impairment loss recognised in respect of trade receivables	13	(4,333)	(13,956)
Selling and distribution expenses		(1,715)	(2,073)
Administrative expenses		(18,753)	(12,191)
Other operating expenses		(439)	(798)
Finance costs	6	(2,810)	(3,174)
Loss before tax		(1,622)	(20,337)
Income tax	7	–	–
Loss and total comprehensive expense for the period	8	(1,622)	(20,337)
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		2,051	(20,337)
Non-controlling interests		(3,673)	–
		(1,622)	(20,337)
Earnings (loss) per share			
Basic and diluted (RMB cent)	9	0.14	(1.60)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	53,430	55,358
Prepaid lease payments		10,233	10,372
		63,663	65,730
Current assets			
Inventories		20,668	17,010
Loan receivable	12	8,152	20,380
Amounts due from related companies	16	1,857	–
Trade and other receivables	13	93,992	101,888
Deposit paid for potential acquisition		25,836	25,836
Investments in films		42,097	46,205
Films production in progress	14	40,853	–
Prepaid lease payments		297	297
Bank balances and cash		369,942	344,237
		603,694	555,853
Current liabilities			
Trade and other payables	15	98,558	26,924
Amounts due to related companies	16	4,258	28,496
Secured bank borrowings	17	121,800	121,800
		224,616	177,220
Net current assets		379,078	378,633
		442,741	444,363
Capital and reserves			
Share capital	18	12,322	12,322
Reserves		403,568	401,517
Equity attributable to owners of the Company		415,890	413,839
Non-controlling interests		26,851	30,524
Total equity		442,741	444,363

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (Note a)	Other reserves RMB'000 (Note b)	Accumulated loss RMB'000	Total equity RMB'000	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2017	12,322	750,821	47,422	142,000	(538,726)	413,839	30,524	444,363
Profit (loss) for the period	-	-	-	-	2,051	2,051	(3,673)	(1,622)
At 30 June 2017 (Unaudited)	12,322	750,821	47,422	142,000	(536,675)	415,890	26,851	442,741
At 1 January 2016	10,355	561,252	47,382	136,801	(507,435)	248,355	-	248,355
Loss for the period	-	-	-	-	(20,337)	(20,337)	-	(20,337)
Disposal of partial interest in a subsidiary without losing control	-	-	-	5,199	-	5,199	38,083	43,282
Issue of shares	1,967	194,634	-	-	-	196,601	-	196,601
Transaction costs attributable to issue of shares	-	(5,065)	-	-	-	(5,065)	-	(5,065)
At 30 June 2016 (Unaudited)	12,322	750,821	47,382	142,000	(527,772)	424,753	38,083	462,836

Notes:

(a) Statutory reserve

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

(b) Other reserves

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	14,630	55,945
INVESTING ACTIVITIES		
Placement of short-term bank deposits maturing beyond three months	–	(181,498)
Withdrawal of short-term bank deposits maturing beyond three months	–	82,165
Deposit paid for potential acquisition	–	(25,836)
Other investing activities	1,514	(38,758)
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	1,514	(163,927)
FINANCING ACTIVITIES		
Repayment from loan receivable	12,228	–
Repayment of bank borrowings	(81,950)	(55,000)
Proceeds from issue of shares	–	196,601
Transaction cost for issue of shares	–	(5,065)
New bank borrowings raised	81,950	64,000
Other financing activities	(2,667)	(3,144)
NET CASH GENERATED FROM FINANCING ACTIVITIES	9,561	197,392
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,705	89,410
CASH AND CASH EQUIVALENTS AT 1 JANUARY	344,237	98,811
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	369,942	188,221

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacturing and trading of sporting goods, investments in films and production and artiste and event management. The Company acts as an investment holding company and engaged in the film investments and artiste and event management.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments (“new and revised HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the new and revised HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

4. REVENUE

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Sales of sporting goods	43,990	50,657
Investments in films and production income	12,521	–
Artiste and event management services income	24,923	–
	81,434	50,657

5. SEGMENT INFORMATION

The Group's operating segments based on information reported to the chief operating decision maker (the "CODM") for the purposes of resource allocation and performance assessment are as follows:

- (i) Manufacturing and trading – trading of sporting goods manufactured by the Group;
- (ii) Investments in films and production – investments in production and distribution of films; and
- (iii) Artiste and event management – the provision of artiste and event management services and others.

SEGMENT REVENUES AND RESULTS

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

For the six months ended 30 June 2017

	Manufacturing and trading RMB'000 (Unaudited)	Investments in films and production RMB'000 (Unaudited)	Artiste and event management RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	43,990	12,521	24,923	81,434
Segment (loss) profit	(1,824)	122	9,037	7,335
Unallocated income				10,001
Unallocated expenses				(18,958)
Loss before tax				(1,622)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUES AND RESULTS *(continued)*

For the six months ended 30 June 2016

	Manufacturing and trading RMB'000 (Unaudited)	Investments in films and production RMB'000 (Unaudited)	Artiste and event management RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	50,657	–	–	50,657
Segment loss	(4,108)	–	–	(4,108)
Unallocated income				9,505
Unallocated expenses				(25,734)
Loss before tax				(20,337)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. SEGMENT INFORMATION *(continued)*

SEGMENT ASSETS AND LIABILITIES

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
SEGMENT ASSETS		
Manufacturing and trading	129,351	132,835
Investments in films and production	105,647	65,212
Artiste and event management	28,429	33,083
Unallocated	403,930	390,453
<hr/>		
Total assets	667,357	621,583
<hr/>		
SEGMENT LIABILITIES		
Manufacturing and trading	9,114	17,882
Investments in films and production	61,249	3,669
Artiste and event management	28,195	30,959
Unallocated	126,058	124,710
<hr/>		
Total liabilities	224,616	177,220
<hr/>		

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

- all assets are allocated to operating segments other than a loan receivable, deposit paid for potential acquisition, bank balances and cash and certain other receivables and prepayments as these assets are managed on a group basis; and
- all liabilities are allocated to operating segments other than bank borrowings, certain amounts due to related companies and certain other payables as these liabilities are managed on a group basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. SEGMENT INFORMATION *(continued)*

INFORMATION ABOUT MAJOR CUSTOMERS

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Customer A ¹	16,455	21,282
Customer B ²	12,399	N/A*
Customer C ¹	N/A*	9,238

¹ Revenue from sales of sporting goods

² Revenue from investments in films and production income

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

6. FINANCE COSTS

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest expenses on secured bank borrowings wholly repayable within five years	2,810	3,174

7. INCOME TAX

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

No provision for Hong Kong Profits Tax has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2017 and 2016.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both periods ended 30 June 2017 and 2016. No provision of EIT has been made as the Group did not have any assessable profits subject to EIT Law for the six months ended 30 June 2017 and 2016.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No withholding tax was accrued as the Group did not generate distributable profits for both periods 30 June 2017 and 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' emoluments:		
Salaries and allowances	680	1,366
Contributions to retirement benefits scheme	31	30
	711	1,396
Staff costs:		
Salaries and allowances (excluding directors' emoluments)	10,555	9,766
Contributions to retirement benefits scheme (excluding directors)	1,103	1,214
Total staff costs	12,369	12,376
Cost of inventories recognised as an expense	36,843	41,986
Amortisation of prepaid lease payments	139	170
Depreciation of property, plant and equipment	1,973	1,304
Reversal of impairment loss recognised in respect of trade receivables	–	(7,966)
Interest income	(1,594)	(1,539)
Net foreign exchange gain	(8,395)	(2,277)
Rental income	–	(6)
Research and development cost (Note)	439	739

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Earnings (loss)		
Profit (loss) for the purpose of basic and diluted earnings (loss) per share	2,051	(20,337)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	1,419,610	1,271,121

Note: The dilutive earnings (loss) per share is equal to the basic earnings (loss) per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2017 and 2016.

10. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain motor vehicles with no carrying amount (for the six months ended 30 June 2016: RMB62,000) for cash proceeds of approximately RMB12,000 (for the six months ended 30 June 2016: RMB3,000), resulting in a gain on disposal of approximately RMB12,000 (a loss for the six months ended 30 June 2016: RMB59,000).

In addition, the Group paid approximately RMB434,000 (six months ended 30 June 2016: RMB526,000) on addition of property, plant and equipment.

During the current interim period, as a result of the continuous decline in the performance of the Group, the Group carried out a review of the recoverable amount of the Group's property, plant and equipment. The review led to the recognition of impairment losses on property of RMB389,000 (for the six months ended 30 June 2016: RMB8,604,000), which has been recognised in condensed consolidated statement of profit or loss and other comprehensive income. The pre-tax discount rate in measuring the amounts of value-in-use is 15% (for the six months ended 30 June 2016: 15%). The recoverable amounts of the property, with reference to their value in use amounts to approximately RMB53,430,000 as at 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. LOAN RECEIVABLE

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Unsecured loan receivable	8,152	20,380

As at 30 June 2017, the unsecured loan receivable RMB8,152,000 (2016: RMB20,380,000) bear interest at a fixed rate 5% per annum. The unsecured loan receivable was due within one year.

During the six months ended 30 June 2017, no impairment loss on loan receivable and interest income (for the six months ended 30 June 2016: nil) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

13. TRADE AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	201,210	208,397
Less: provision of impairment loss	(147,904)	(143,571)
Trade receivables	53,306	64,826
Other receivables	1,110	432
Prepayment to suppliers	39,576	36,630
Other receivables and prepayments	40,686	37,062
Trade and other receivables	93,992	101,888

The Group generally allows an average credit period ranging from 30 days to 270 days from the receipt of goods by or invoices to its trade customers.

Included in the provision for impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB147,904,000 (2016: RMB143,571,000). The individually impaired trade receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, provision for impairment loss is recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

13. TRADE AND OTHER RECEIVABLES *(continued)*

At the end of the reporting period, the aged analysis of trade receivables, net of provision of impairment loss recognised presented based on the invoice date, which approximated the respective revenue recognition dates, are as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 90 days	21,912	60,277
91 to 180 days	9,589	796
181 to 365 days	21,805	3,753
Total	53,306	64,826

14. FILMS PRODUCTION IN PROGRESS

	RMB'000
At 1 January 2016 (audited), 30 June 2016 (unaudited) and 1 January 2017 (audited)	–
Additions	40,853
At 30 June 2017 (unaudited)	40,853

Films production in progress represents the production costs, costs of services, direct labour costs, facilities and raw materials consumed under production. It is accounted for on a project-by-project basis. The films production in progress is stated at cost incurred to date, less any identified impairment losses.

As at the six months ended 30 June 2017, the Group had paid approximately RMB40,853,000 for films production in progress for various films production.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

15. TRADE AND OTHER PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade payables	15,454	7,895
Other payables and accruals	34,803	14,126
Other tax payables	2,882	2,838
Receipts in advance	45,419	2,065
	83,104	19,029
Trade and other payables	98,558	26,924

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

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 90 days	14,527	3,970
91 to 180 days	114	226
181 to 365 days	84	796
Over 365 days	729	2,903
Total	15,454	7,895

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

16. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	30 June 2017 RMB'000	31 December 2016 RMB'000
Amounts due from related companies		
– Shaw Brothers Pictures Limited (Note c)	1,823	–
– TVBI Company Limited (Note d)	34	–
	1,857	–
Maximum amounts outstanding during the period		
– Shaw Brothers Pictures Limited (Note c)	3,537	–
– TVBI Company Limited (Note d)	34	–
Amounts due to related companies		
– Television Broadcasts Limited (Note a)	491	26,238
– Hengqiang (China) Company Limited (“Hengqiang”) (Note b)	3,767	2,258
	4,258	28,496

Notes:

- (a) Television Broadcasts Limited (“TVB”) held equity interest in the Company as at 30 June 2017 and 31 December 2016; and Mr. Li Ruiqiang, the chairman, director and substantial shareholder of the Company also held interests and directorship in TVB.
- (b) As at 30 June 2017, Mr. Ding Siqiang, a director of the Company, holds 80% equity interests (31 December 2016: 80%) of 恒強(國際)有限公司, which is the ultimate holding company of Hengqiang.
- (c) During the current interim period, the Group had transferred a movie interest of RMB3,537,000 (equivalent to HK\$4,000,000) to Shaw Brothers Pictures Limited, a subsidiary of TVB.
- (d) TVBI Company Limited, a subsidiary of TVB.
- (e) During the current interim period, a movie interest of RMB1,769,000 (equivalent to HK\$2,000,000) was transferred from FC Movie Company Limited, a subsidiary of TVB, to the Group and such amount has been settled as at 30 June 2017.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

17. SECURED BANK BORROWINGS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Bank borrowings repayable within one year:		
Secured	121,800	121,800

During the current interim period, the Group obtained new borrowings in the amount of approximately RMB81,950,000 (2016: RMB141,400,000) and repayment of borrowings amounting to approximately RMB81,950,000 (2016: RMB136,900,000).

For the six months ended 30 June 2017, the bank borrowings carry fixed interests ranging from 4.39% to 5.00% per annum (2016: 4.39% to 5.00%), which were used to finance the operations and used for general working capital of the Group.

As at 30 June 2017, secured bank borrowings with aggregate carrying amounts of approximately RMB121,800,000 (2016: RMB121,800,000) were secured by buildings held for own use and prepaid lease payments. Details of pledge of assets are disclosed in Note 20.

18. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares	
		HK\$'000	(Equivalent to) RMB'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2016 (audited),			
30 June 2016 (unaudited),			
1 January 2017 (audited) and			
30 June 2017 (unaudited)	10,000,000,000	100,000	
Issued and fully paid:			
At 1 January 2016 (audited)	1,184,610,000	11,846	10,355
Issue of shares (Note)	235,000,000	2,350	1,967
At 30 June 2016 (unaudited)			
1 January 2017 (audited) and			
30 June 2017 (unaudited)	1,419,610,000	14,196	12,322

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

19. OPERATING LEASES

THE GROUP AS LESSEE

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	1,020	411
In the second to fifth year inclusive	657	582
	1,677	993

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

20. PLEDGE OF ASSETS

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Buildings held for own use	49,437	51,127
Prepaid lease payments	10,530	10,669
	59,967	61,796

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

21. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the condensed consolidated financial statements, the Group also had the following transactions with its related parties during the interim period:

(A) TRANSACTIONS

Name of company	Notes	Nature of transaction	Six months ended 30 June	
			2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Related companies:				
TVB	i	Licensing fee	(400)	–
TVB	i	Service income	929	–
TVBI Company Limited	iii	Commission income	34	–
Shaw Brothers Pictures Limited	ii	Service fee	(1,680)	–

Notes:

- (i) The fees were (paid to) received from TVB. TVB had equity interest in the Company; and Mr. Li Ruigang, the chairman, director and substantial shareholder of the Company also held interest and directorship in TVB.
- (ii) The fee was paid to Shaw Brothers Pictures Limited, a subsidiary of TVB.
- (iii) The fee was received from TVBI Company Limited, a subsidiary of TVB.

The fees received from (paid to) related companies are based upon mutually agreed terms and conditions.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Short-term benefits	680	1,366
Post-employment benefits	31	30
	711	1,396

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22. EVENTS AFTER REPORTING PERIOD

The following significant event took place subsequent to 30 June 2017.

THE DISPOSAL OF A SUBSIDIARY

On 26 July 2017, the Company entered into the agreement with the Champ Luck Enterprise Limited (“Champ Luck”), an independent third party, pursuant to which the Company has agreed to sell and the Champ Luck has agreed to acquire the 51% of the issued share capital of the Amber Jungle Limited, a subsidiary of the Group, for a total cash consideration of HK\$41,000,000.

Details were set out in the announcements of the Company on 26 July 2017.