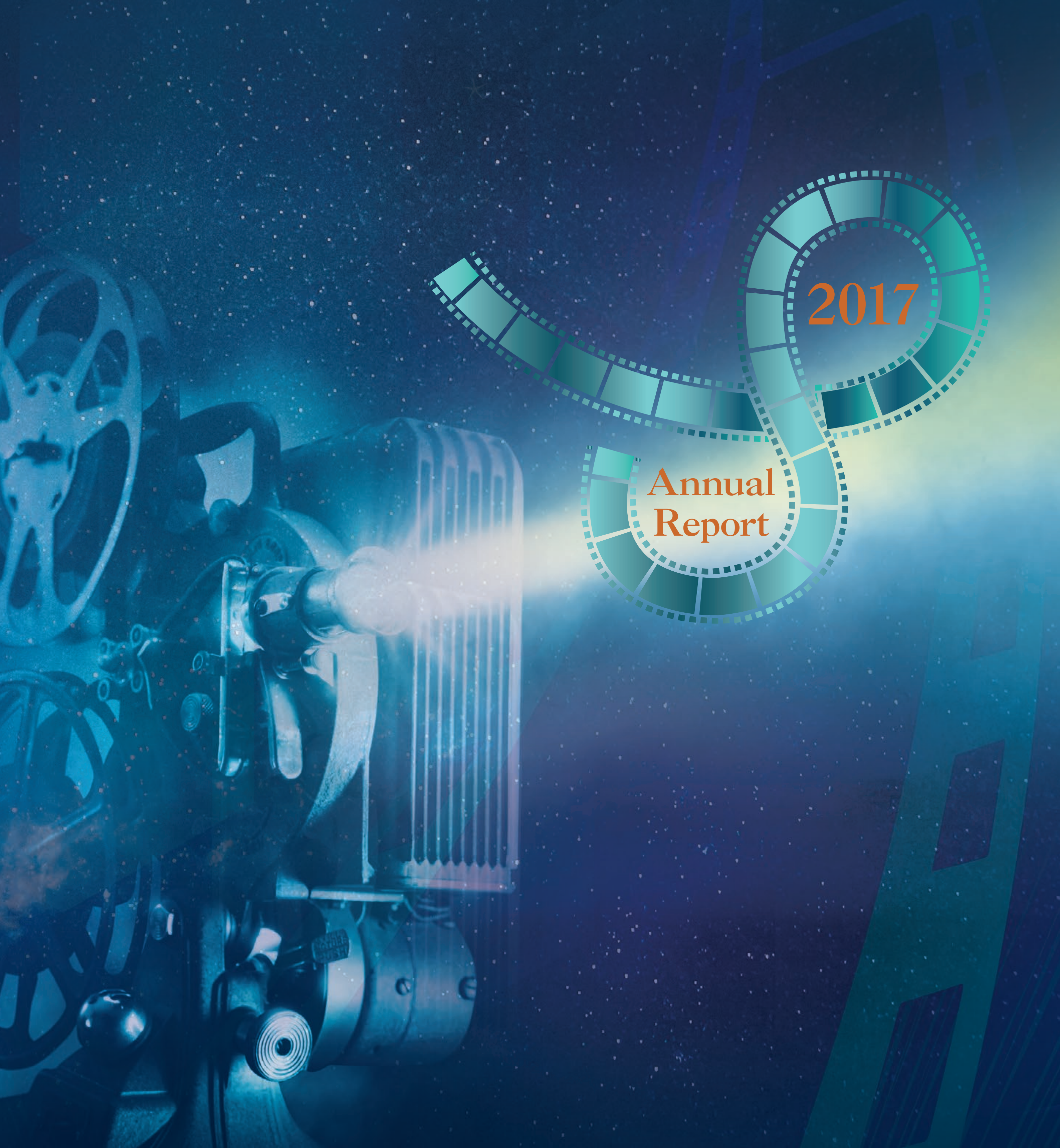
SHAW BROTHERS HOLDINGS LIMITED
邵氏兄弟控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00953)



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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
Miss Lok Yee Ling Virginia

NON-EXECUTIVE DIRECTOR

Mr. Hui To Thomas

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

ALTERNATE DIRECTOR

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

BOARD COMMITTEES

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Miss Chan Yin Yi Annie

AUTHORISED REPRESENTATIVE

Mr. Gu Jiong
Miss Chan Yin Yi Annie

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK CODE

00953

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House, 3rd Floor,
24 Shedden 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

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2017, Shaw Brothers Holdings Limited (the "Company", together with its subsidiaries, the "Group") continued to implement those key strategies and operational initiatives adopted in 2016 and has accomplished significant achievement. During the year, the Group continued its investment in quality movies, dramas and non-dramas, as well as further developed artiste and event management.

BUSINESS REVIEW

Despite a slowdown in growth of total box office revenue in the PRC in 2016, the film market maintained a steady growth in 2017 and generated a total box office revenue of RMB55.9 billion, occupying one of the largest movie markets in the world. The Group continued to develop high quality movies projects and started production of dramas and non-dramas series during the year.

During 2017, the Group invested in "Son of the Neon Night"《風林火山》. "Son of the Neon Night" is an action-adventure film directed by Juno Mak（麥浚龍）, 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）. "Flying-Tiger"《飛虎之潛行極戰》, the first drama project of the Group, had completed production in 2017. It is expected to be launched on YOUKU（優酷）in the second quarter of 2018 in the PRC and on the authorised platform of TVB internationally. "Flying-Tiger" has brought substantial revenue to the Group's entertainment segment in 2017. "The Protector"《守護神》is another drama production project in cooperation with iQiyi（愛奇藝）, which has started production and is expected to become another exciting drama series in 2018 following "Flying-Tiger".

Artiste and event management, another major segment of the entertainment business of the Group, had also demonstrated encouraging performance in 2017. More than 15 artistes had joined the Group during the year which had not only expanded the artiste portfolio of the Group but also strengthened the financial contribution of the artiste and event management segment as evidenced in the annual results of 2017.

To achieve strategic development in the entertainment industry, the Group has also streamlined its business structure through disposal of its stagnant sports business in the second half of 2017, viz. 51% interest in Amber Jungle Limited which was a non-wholly-owned subsidiary of the Company before the date of disposal. After the disposal, the Group is able to focus its financial and management resources on potential investment opportunities in movies, dramas, non-dramas and artiste management which could yield more attractive returns to the Group.

To capitalise on the industry network and resources, the Company established a cooperation framework agreement with CMC Holdings Limited ("CMC Holdings") and 華人文化有限責任公司 (English transliteration for identification purpose: Huaren Wenhua Limited Liability Company) ("Huaren Wenhua") (collectively "CMC") in November 2016; pursuant to which the Company, CMC Holdings and Huaren Wenhua are to cooperate in (i) investment projects and (ii) artistes engagement. The cooperation framework agreement was approved by the shareholders of the Company at the extraordinary general meeting dated 13 March 2017. Details of the cooperation framework agreement were set out in the Company's Circular despatched to shareholders on 17 February 2017. The cooperation agreement enables the Company and CMC to collaborate in film investment and artiste engagement. Resources and experiences in areas of film development and production, artiste management as well as film distribution network in the PRC and worldwide could be mutually shared.

CHAIRMAN'S STATEMENT

OUTLOOK AND PROSPECT

Looking ahead, the Group will continue to capitalise on the tremendous opportunities in the growing PRC market, focusing its core resources on investing in movie, drama and non-drama productions, as well as artiste development and event management business to enhance its position in the entertainment industry. Together we work towards the fruitful, healthy and sustainable growth of the Group and yield returns to the shareholders.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to our valuable shareholders, business partners and customers for their trust and support. I would also like to thank our Directors, management team and all the staff members of the Group for their endeavour and contributions. I firmly believe that our Group has started the journey towards success and 2018 will continue to be a fruitful year.

Shaw Brothers Holdings Limited
Li Ruigang
Chairman

Hong Kong, 20 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Despite a slowdown of growth in total box office revenue in the PRC in 2016, the film industry market still presented steady growth in 2017 which reached around RMB55.9 billion box office revenue in 2017, emerging as one of the largest movie markets in the world. The Group has seized this opportunity and carried out a series of quality projects of movies and drama and non-drama with effective utilization of its own financial resources.

BUSINESS REVIEW

To focus on its strategic direction in the entertainment industry, the Group has also further streamlined its business structure through disposal of its stagnant sports business in the second half of 2017, 51% interest in Amber Jungle Limited (the "Disposal"), a non-wholly-owned subsidiary of the Company (as of the date of Disposal) which has had the Company to suffer loss and net cash outflows for the last several years. After the Disposal, the Group is able to optimize and focus its financial resources and management efforts to potential investment opportunities on film, drama and non-drama projects and artiste management business which could drive more attractive returns to the Group. Details of the Disposal are set out in the announcements of the Company dated 26 July 2017 and 25 September 2017 and the circular of the Company dated 25 October 2017.

To capitalise on its industry network and resources, on 29 November 2016, the Company entered into a cooperation framework agreement with CMC Holdings and Huaren Wenhua (collectively "CMC") pursuant to which the Company, CMC Holdings and Huaren Wenhua agree to cooperate in (i) film investments and (ii) artistes management. 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 the 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.

The cooperation framework agreement allows the Company and CMC to have collaboration in films investment and artiste engagement, in which resources and experiences in areas of film development and production, artiste management as well as film distribution network in the PRC and worldwide could be mutually shared.

During the year ended 31 December 2017 (the "Year"), revenue of the Group increased by approximately RMB93,215,000 from approximately RMB187,633,000 for year of 2016 to approximately RMB280,848,000 for the year 2017. Revenue for the Year included the income generated from continuing operation that is, mainly entertainment business which contributed approximately RMB152,831,000 (2016: approximately RMB93,855,000). Revenue for the Year also included approximately RMB128,017,000 generated from discontinued operation of sportswear business (2016: approximately RMB93,778,000). Revenue from continuing operation of entertainment business for the Year increased by 62.8%, which contributed 54.4% of the total revenue of the Year. Discontinued operation of sportswear business for the Year contributed 45.6% of the total revenue of the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

ENTERTAINMENT

Drama and Non-Drama Investments and Productions

Drama and non-drama investments and productions contributed significantly in the revenue of entertainment business for the year of 2017. The contribution is mainly from the investment and productions of drama series "Flying-Tiger"(飛虎之潛行極戰), and the non-drama series "One of us"(勝利的游戲). These two series contributed totally approximately RMB106,444,000 to the revenue and approximately RMB12,404,000 to the gross profit of continuing operation for the Year. "Flying-Tiger", starring Bosco Wong(黃宗澤), Michael Miu(苗喬偉), Ron Ng(吳卓羲) and Michael Wong(王敏德), had completed shooting and the revenue was recognised in the Year. "Flying-Tiger" is expected to commence first broadcasting in YOUKU(優酷) in the second quarter of 2018. "One of us" had also completed the production in the first half of the Year through one of the Group's non-wholly owned subsidiary, Tailor Made Production Limited ("Tailor Made"), and had already be shown online on various platforms during the Year. In addition, "The Protector"(守護神), another drama series production project in cooperation with iQiyi(愛奇藝) has started production during the Year and completed principal shooting in January 2018. "The Protector" is expected to come after "Flying-Tiger" as another exciting drama series in 2018.

Film Investments and Productions

During the Year, the Group has made investments in the film "Son of the Neon Night"(風林火山). "Son of the Neon Night" is an adventure action film directed by Juno Mak(麥浚龍) 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). It is expected to be released in 2018.

Given the encouraging outcome, the Group places strong confidence in the long-run prospect of film and drama and non-drama investments and productions and is expected to continue allocation of substantial resources in this promising segment in the forthcoming years.

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 ("Good Servant") and Esther Communications Limited ("Esther Communications") 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 and Esther Communications 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 Year, artiste and event management business, another main source of income of the Company, generated revenue of approximately RMB45,986,000 and gross profit of approximately RMB22,648,000. Apart from the 5 artistes who had joined the Group in 2016, 15 artistes have joined the Group with artiste management agreements or workshops in Hong Kong, PRC and overseas during the Year. With the joining of more and more famous and fresh new talents, the Group can take advantages of a richer pool of talents to complement its film and drama and non-drama investments and productions segment on one hand, and also diversify its business mix on the other. The Group will therefore continue the development of artistes management business in 2018.

DISCONTINUED OPERATION OF SPORTSWEAR BUSINESS

The Group has ceased operation in sporting goods manufacturing and trading after the disposal of remaining 51% interest in Amber Jungle Limited which holds the only manufacturing plant of the Group and is principally engaged in manufacturing and trading of sporting goods. The discontinued operation recorded revenue of approximately RMB128,017,000 and net loss of approximately RMB446,000 for the Year (2016: approximately RMB93,778,000 and RMB8,585,000 respectively).

FINANCIAL REVIEW

The Group's consolidated revenue of continuing operation for the Year recorded approximately RMB152,831,000 (2016: approximately RMB93,855,000), representing an increase of approximately 62.8% or approximately RMB58,976,000 from last year. The increase in revenue was mainly attributable to the increase in income from investment in films and drama and non-drama productions which significantly increased by 140.9% to approximately RMB106,444,000 from approximately RMB44,195,000 of last year, together with the contribution of income from artiste and event management which contributed approximately RMB45,986,000 (2016: approximately RMB35,203,000). Loss from continuing operation for the Year amounted to approximately RMB6,115,000, as compared to loss of approximately RMB30,225,000 in 2016. This significant decrease in loss was mainly due to the contribution from substantially increased gross profit generated from entertainment business. Loss per share from continuing operation for the Year amounted to approximately RMB0.493 cent (2016: loss per share approximately RMB1.997 cents).

The discontinued operation of sportswear business recorded revenue of approximately RMB128,017,000 and net loss of approximately RMB446,000 for the Year (2016: approximately RMB93,778,000 and RMB8,585,000 respectively).

REVENUE

Investment in films and drama and non-drama productions reported revenue and gross profit of approximately RMB106,444,000 and RMB12,404,000 respectively for the Year (2016: approximately RMB44,195,000 and RMB9,437,000 respectively), which increased by approximately 140.9% and 31.4% respectively from last year. Artiste and event management reported revenue and gross profit of approximately RMB45,986,000 and RMB22,648,000 respectively for the Year (2016: approximately RMB35,203,000 and RMB5,302,000 respectively).

MANAGEMENT DISCUSSION AND ANALYSIS

Segment and geographical information in 2017

	The PRC RMB'000	Hong Kong RMB'000	Total RMB'000
Revenue			
Investments in films and drama and non-drama productions	12,872	93,572	106,444
Artiste and event management	16,963	29,023	45,986
Others	401	–	401
	30,236	122,595	152,831
Gross profit			
Investments in films and drama and non-drama productions	–	12,404	12,404
Artiste and event management	11,084	11,564	22,648
Others	190	–	190
	11,274	23,968	35,242

COST OF SALES

Cost of sales of continuing operation increased by approximately 41.1% to approximately RMB117,589,000 for the Year (2016: approximately RMB83,345,000) of which the investments in films and drama and non-drama productions amounted to approximately RMB94,040,000, and the direct costs incurred for artiste and event management amounted to approximately RMB23,338,000. Cost of sales of discontinued operation of sportswear business increased by approximately 33.9% to approximately RMB100,186,000 for the Year (2016: approximately RMB74,828,000) which is due to the increase in sales.

SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

Selling and marketing expenses of continuing operation for the Year amounted to approximately RMB3,241,000 (2016: approximately RMB24,000). The increase is mainly due to the increase in marketing and promotion activities for entertainment business during the Year. Administrative expenses for the Year amounted to approximately RMB36,918,000 (2016: approximately RMB36,582,000). Selling and marketing expenses and administrative expenses of discontinued operations for the Year were approximately RMB1,819,000 and RMB23,032,000 respectively (2016: approximately RMB3,037,000 and RMB32,353,000 respectively).

INCOME TAX

The income tax expenses of the Group for the Year was approximately RMB1,050,000 (2016: RMB nil).

TRADE AND OTHER RECEIVABLES AND PROVISION FOR IMPAIRMENT LOSS

Trade receivables from third parties for the Year decreased by approximately 10.4% to approximately RMB58,092,000 (2016: approximately RMB64,826,000). Provision for impairment of approximately RMB1,100,000 had been made in respect of trade and other receivables of continuing operation for the Year (2016: approximately RMB4,566,000).

Details of trade and other receivables as at 31 December 2017 are set out in Note 20 to the consolidated financial statements in this report.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources and bank borrowings. As at 31 December 2017, bank balances and cash in hand and short-term bank deposits amounted to approximately RMB144,222,000, decreased by approximately RMB200,015,000 from approximately RMB344,237,000 as at 31 December 2016. The decrease was mainly because the Group had substantial investment in film and drama and non-drama production projects during the Year, and approximately RMB108,487,000 was classified as assets held for sales in discontinued operation as at 31 December 2017. As at 31 December 2017, the Group's bank and cash balances were denominated in Renminbi, Hong Kong Dollars and United States Dollars.

PLEDGE OF ASSETS

As at 31 December 2017, the Group secured its bank borrowings by prepaid land lease payments and buildings held for own use which were classified as assets held for sales in discontinued operation as at 31 December 2017, with an aggregate carrying amount of approximately RMB56,832,000 (2016: approximately RMB61,796,000).

CAPITAL STRUCTURE

As at 31 December 2017, the Group's equity attributable to owners of the Company decreased by approximately 1.7% to approximately RMB406,614,000 (31 December 2016: approximately RMB413,839,000). Total assets amounted to approximately RMB625,316,000 (31 December 2016: approximately RMB621,583,000) which included current assets amounting to approximately RMB436,097,000 (31 December 2016: approximately RMB555,853,000). Current liabilities were approximately RMB68,931,000 (31 December 2016: approximately RMB177,220,000). Net assets value per share attributable to the owners of the Company as at 31 December 2017 was approximately RMB28.6 cents (31 December 2016: approximately RMB30.8 cents). Current ratio was approximately 6.33 as at 31 December 2017 (31 December 2016: approximately 3.14).

As at 31 December 2017, the number of total issued shares of the Company was 1,419,610,000 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

FINAL DIVIDEND

No final dividend was recommended by the Board for the year ended 31 December 2017.

LOSS ATTRIBUTABLE TO SHAREHOLDERS AND NET LOSS MARGIN

For the Year, loss attributable to the owners of the Company amounted to approximately RMB7,225,000, representing a decrease of approximately 76.9% as compared to that in 2016 (2016: loss attributable to the owners of the Company amounted to approximately RMB31,251,000). Net loss margin from continuing operation of the Group dropped to approximately 4.6% (2016: approximately 28.6%).

FOREIGN EXCHANGE RISK

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

GEARING RATIO

As at 31 December 2017, the gearing ratio of the Group was approximately 5.28% (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 31 December 2017, the Group's bank borrowings amounted to approximately RMB33,000,000 (2016: approximately RMB121,800,000), bearing interest rates from 4.39% to 5.00% (2016: 4.39% to 5%), which were all due within one year.

HUMAN RESOURCES

As at 31 December 2017, the Group had a total of 592 employees (as at 31 December 2016: 528 employees).

MATERIAL ACQUISITION AND DISPOSAL

On 26 July 2017, the Company entered into the Agreement with the Champ Luck Enterprise Limited (the "Purchaser"), pursuant to which the Company has agreed to sell and the Purchaser has agreed to acquire the sale interests, representing 51% of the issued share capital of the Amber Jungle Limited and its subsidiaries, for a total cash consideration of HK$41,000,000. Amber Jungle Limited is a company established in the BVI with limited liability. Amber Jungle Limited and its subsidiaries are principally engaged in the manufacturing and trading of sporting goods.

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling of used papers and energy saving. Details of the environmental policies and performance of the Group will be disclosed in the "Environmental, Social and Governance Report" which will be included in 2017 Annual Report to be published in due course.

RELATIONSHIPS WITH STAKEHOLDERS

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

CORPORATE GOVERNANCE REPORT

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

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

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

CODE PROVISION E.1.2

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

Mr. Li Ruigang, the Chairman of the Board, was unable to attend the AGM for 2017 due to other business engagement. However, another Director had chaired the AGM for 2017 and answered questions from the shareholders of the Company.

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

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

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

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

Chairman and Non-executive Director
Mr. Li Ruigang

Executive Directors
Mr. Ding Siqiang
Ms. Ding Xueleng
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)

Resigned Director
Mr. Jiang Wei (resigned on 1 January 2018)

The biographical details of the Directors and member of senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 29 to 32 of this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group.

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

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

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

On 13 March 2017, Mr. Li Ruigang, Mr. Hui To Thomas and Mr. Jiang Wei who were appointed by the Board as Directors in 2016 to hold offices as Directors of the Company until the extraordinary general meeting on 13 March 2017, were successfully re-elected at the said meeting.

On 2 June 2017, Mr. Pang Hong, Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia who retired at the Company's annual general meeting on 2 June 2017, were successfully re-elected at the said meeting.

On 1 January 2018, Mr. Jiang Wei resigned as an Executive Director.

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

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

In accordance with the Articles, Mr. Ding Siqiang, Ms. Ding Xueleng and Miss Lok Yee Ling Virginia will retire as Directors at the forthcoming annual general meeting of the Company held in June 2018, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD DIVERSITY POLICY

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

DIRECTORS' AND OFFICERS' INSURANCE

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

FUNCTIONS OF THE BOARD

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

CORPORATE GOVERNANCE FUNCTIONS

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

NON-EXECUTIVE DIRECTORS

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

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

BOARD MEETINGS AND PROCEDURES

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

The Board held 6 meetings during the Year. At the meetings, the Board had approved the 2016 annual results; 2017 interim results; reviewed the quarterly performance; approved the disposal of the interest in a subsidiary (major and connected transaction); approved the continuing connected transactions (artistes management agreements and performance guarantees); approved the change of Board member; approved the 2018 budget; and approved the publication of the announcements in connection with the matters in this paragraph as required under the Listing Rules.

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

Directors	Board meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	EGMs	AGM
Mr. Li Ruigang	5/6	N/A	N/A	N/A	2/2	0/1
Mr. Ding Siqiang	0/6	N/A	N/A	N/A	0/2	0/1
Ms. Ding Xueleng	0/6	N/A	N/A	N/A	0/2	0/1
Miss Lok Yee Ling Virginia	6/6	N/A	N/A	N/A	2/2	1/1
Mr. Hui To Thomas	6/6	N/A	N/A	N/A	2/2	1/1
Mr. Pang Hong	5/6	2/2	1/1	1/1	2/2	1/1
Mr. Poon Kwok Hing Albert	5/6	2/2	1/1	1/1	1/2	1/1
Miss Szeto Wai Ling Virginia	6/6	2/2	1/1	1/1	2/2	0/1

Alternate Director	Board meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	EGMs	AGM
Mr. Gu Jiong	N/A	N/A	N/A	N/A	N/A	N/A

Resigned Directors	Board meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	EGMs	AGM
Mr. Jiang Wei[2] (resigned on 1 January 2018)	4/6	N/A	N/A	N/A	1/2	0/1

Notes:

Demonstration – Total numbers of meeting(s) attended/Total number of meeting(s) held during the Year.

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

2 Mr. Jiang Wei resigned as an executive Director on 1 January 2018.

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

The Audit Committee held 2 meetings during the Year. At the meetings, the Audit Committee had reviewed the interim results and final results of the Group for the Year. The Group's final results for the Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this report, and confirmed that this report complies with the applicable standard, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

Details of the attendance of the Audit Committee meeting are set out in the table under the section headed "Board Meetings and Procedures".

REMUNERATION COMMITTEE

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

The Remuneration Committee held 1 meeting during the Year. At the meeting, the Remuneration Committee had reviewed the remuneration policies of the Directors and the senior executives and reviewed the remuneration packages and performance of the Directors for the Year.

Details of the attendance of the Remuneration Committee meeting are set out in the table under the section headed "Board Meetings and Procedures".

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

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

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

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

NOMINATION COMMITTEE

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

The Nomination Committee held 1 meeting during the Year. At the meeting, the Nomination Committee had reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors and other related matters of the Company.

Details of the attendance of the Nomination Committee meeting are set out in the table under the section headed "Board Meetings and Procedures".

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

FINANCIAL REPORTING AND INTERNAL CONTROL

ACCOUNTABILITY AND AUDIT

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

Risk Management System

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

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

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

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

Based on the risk assessments conducted in 2017, no significant risk was identified.

Internal Control System

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

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

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

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

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

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

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

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

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

Based on the internal control review conducted in 2017, no significant control deficiency was identified.

Internal Auditors

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

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

Effectiveness of the Risk Management and Internal Control Systems

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

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

EXTERNAL AUDITOR'S REMUNERATION

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

Type of services provided	**Amount of fees (RMB'000)**
Audit services	1,214
Non-audit services (Note)	764
Total	1,978

Note: During the Year, the amount included other non-audit related services mainly the review of comprising interim results of the Company for the period ended 30 June 2017

COMPANY SECRETARY

Miss Chan Yin Yi Annie was appointed by the Board as the company secretary of the Company (the "Company Secretary") since 29 January 2016. She has taken sufficient training hours of relevant professional training during the year ended 31 December 2017 and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. The biographical details of Miss Chan are set out under the section headed "Biographical Details of Directors and Senior Management" on page 32 of this annual report.

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

INVESTOR RELATIONS

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

There are no changes in the Company's constitutional documents during the Year.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

Pursuant to Article 58 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transactions of any business specified in such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(s) may do so in the same manner.

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

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

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

ENQUIRES PUT TO THE BOARD

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

REPORT OVERVIEW

The Environmental, Social and Governance ("ESG") Report published by Shaw Brothers Holdings Limited (the "Company") outlines the full implementation of sustainability and the commitment to responsibility as a corporate citizen of the Company and its subsidiaries (together as the "Group" or "we"). The ESG Report details various work of the Group fulfilling the principle of sustainable development and its performance in social governance from 1 January 2017 to 31 December 2017 ("the Year").

REPORT SCOPE

As the Group has sold its business of manufacturing and trading of sports goods in January 2018, the ESG Report mainly covers the environmental and social performance of the Group's artiste and event management business and focuses on disclosing the key performance indicators of offices in Kwun Tong and Tseung Kwan O. For details of corporate governance, please refer to the corporate governance report on pages 12 to 23 of the annual report of the Company.

REPORTING STANDARDS

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

STAKEHOLDER ENGAGEMENT

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

INFORMATION AND FEEDBACK

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

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

ENVIRONMENTAL PROTECTION

EMISSION TREATMENT

As the Group's artiste and event management business does not involve any production, manufacturing or packaging process, and it does not have any vehicles and other gas emissions from stationary sources involving fuel use, we have no emissions of air or water pollutants. Our emissions mainly comprise greenhouse gases, which are primarily derived from daily activities of the Group's operations and offices. Given that the Group operates in leased offices and the building management company is responsible for both water consumption and discharge, it fails to provide relevant data on greenhouse gas emissions. During the Year, the Group produced a total of 28,132 kg CO_2e of greenhouse gas, representing an average of 1,125.30 kg CO_2e of greenhouse gas per employee.

In addition to greenhouse gas emissions, we also produce a small amount of non-hazardous wastes in daily work, mainly including office paper and general household garbage. During the Year, the Group generated 216 kg of non-hazardous waste, representing an average of 8.64 kg of non-hazardous waste per employee. The Group strictly complies with the laws and regulations related to waste disposal and engages qualified companies to collect and handle all wastes. During the Year, the Group does not produce any hazardous wastes.

CONSERVATION AND EMISSION REDUCTION

Improving climate change and controlling carbon emissions are the most pressing environmental issues faced by the community and the shared responsibilities of all sectors. The Group recognizes the importance of energy conservation and emission reduction, hence it actively and comprehensively seizes various opportunities of saving resources, and formulates and strictly implements measures that effectively reduce resources waste and control greenhouse gas emissions:

Resources Conservation

1. Keep lighting equipment and lights clean to maximise energy efficiency
2. Adopt energy efficient lighting (e.g. LED)
3. Set the lowest temperature of air conditioners at 25ºC
4. Install split type air conditioners with Grade 1 energy label
5. Install infrared taps and urinals with water-saving labels
6. Conduct regular leak testing on hidden pipes

Wastes and Emissions Reduction

1. Exchange information through electronic communication technology to reduce paper consumption
2. Monitor the amount of printing on a regular basis and record paper usage
3. Purchase printing paper, toilet paper and tissue made of recycled materials
4. Replace disposable items with reusable items, e.g., use rechargeable batteries instead of disposable batteries
5. Practise waste sorting for paper, metal and plastics recycling
6. Use recyclable toner cartridges/ink cartridges

As the office space was rented by the Group, data related to water consumption is not available. In terms of energy conservation, as a result of the Group's active energy-saving measures, the total power consumption was 26,169 kWh for the Year, mainly comprised electricity consumption. Average energy consumption was 1,046.76kWh per employee. Going forward, the Group will continue to implement and strengthen measures on energy conservation and reduction of greenhouse gas emissions to make a significant contribution to greening the environment and relieving global warming.

EMPLOYEE FIRST

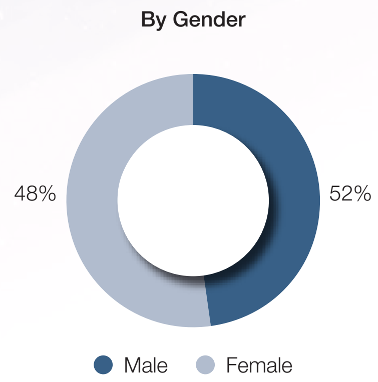
EMPLOYEES' RIGHTS

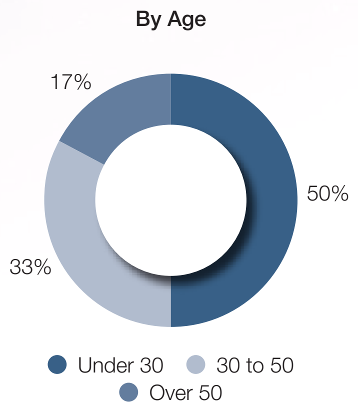
As the Group believes that high-quality employees with strong capacities can promote corporate operation and management, and enhance its results and performance, it always regards employees as its most important asset. The Group strictly complies with all labor laws in Hong Kong and protects the basic rights and interests of all employees.

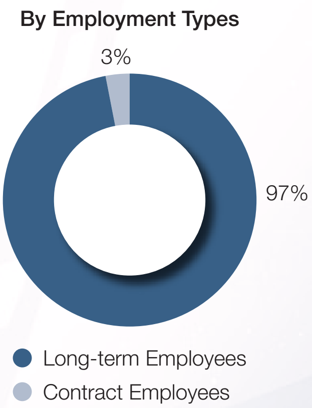
In terms of talent recruitment, the Group recruits appropriate talents based on the principle of equality and openness. The Group carries out recruitment based on the actual needs of departments and will not tolerate any form of discrimination on grounds of race, social status, nationality, religion, disability, gender and sexual orientation. We offer equal interviews opportunities to applicants who meet relevant job requirements on academic qualifications, work experience, language ability and attitude. The Group not only complies with wage-related laws and regulations, but also offers competitive remuneration packages to its employees based on the market conditions and its performance, which help attract more talents and enhance employees' satisfaction and work morale on the whole. We set working hours for employees in accordance with the laws and regulations on working hours to ensure that they have sufficient rest time and do not force them to work overtime to prevent forced labor. In addition, the Group offers statutory leaves, maternity leave, paid leave and annual leave based on laws and regulations relating to employment. We also strictly comply with the laws and regulations relating to the employment of children and prevent all employment of child labor.

Apart from the basic rights as prescribed by laws, we also provide additional benefits to our employees. We purchase insurance (such as medical insurance) for our employees, and conduct annual reviews of the contents and scope of such insurance to ensure they are properly protected. Furthermore, the Group focuses on staff's work-life balance and the relationship among colleagues, hence it regularly organizes staff activities, such as trips, festive dinners and parties to help them relax physically and mentally through different channels and establish harmonious relationships with others.

During the Year, the number of employees of the Group was as follows:







TRAINING AND DEVELOPMENT

Appropriate training to our employees is the only way to streamline the Group's operation and promote the steady growth of its results in the long run. Given that artiste management and corporate governance involve extensive expertise and knowledge, the Group provides training on corporate governance to chief executives and management which contributes to enhancing the management and operation efficiency of the Group. During the Year, we provided further training on the Listing Rules to the senior management to raise their awareness on operational compliance and avoid any impacts on the Group caused by non-compliance. In addition, for junior employees, we conducted operational training on professional accounting software so that relevant personnel is more familiar with the operation of the computerized accounting system, which boosted the efficiency of our daily operations. During the Year, the Group organised team-building workshops with the aims of enhancing communication and cooperation among employees and building team spirit. Through games and competitions, employees' teamwork and performance were improved.

HEALTH AND SAFETY

Healthy and energetic employees are necessary to maintain daily operations and increase revenue for an enterprise, hence the Group recognizes work safety as the most important issue. The Group maintains medical insurance for all employees to further protect them in case of sickness or injury. We are also committed to ensuring employees' safety at work through the design and use of office equipment. For example, we use water dispensers that are easy to be replaced to avoid muscle strain or accidental injuries caused by incorrect posture. Under the prudent working arrangements of the Group, there were no work-related injuries or deaths during the Year.

OPERATING PRACTICES

PRODUCT RESPONSIBILITY

Contrary to general product manufacturing or other service industries, artiste and event management, which is the Group's principal activity, does not involve advertising, labeling and sales of products or services. In terms of service quality, we must actively seek and provide eligible artists according to our customers' needs and requirements, to ensure that their activities or work will be performed best with appropriate artists' involvement. The services provided by the Group do not affect the health and safety of our customers or artists. Customers are required to provide relevant insurance to our artists and are solely responsible for their health and safety as they attend the events. In case of any complaint about our service, we will carefully identify and analyze the causes and actively take improvement measures.

The Group endeavors to protect customers' information and privacy through various measures. For example, we encrypt all the computer files in the office to prevent information leakage. In extracting important information, we will also carefully consider the needs of our customers before deciding whether to provide the relevant information. The Group also protects employees' and job applicants' personal information. It undertakes to keep confidential and only use such personal information for employee selection, determination of remuneration and benefit package, staff administration and career development. Furthermore, the Group has always attached importance to the protection of copyright and intellectual property rights and promised not to commit plagiarism and other misconduct.

ANTI-CORRUPTION

The Group is committed to building an honest and healthy enterprise system. It strictly implements relevant laws and regulations and expressly requires employees to work with probity. It also bans the abuse of power for unfair advantages as well as improper business practices. We have formulated code of conduct for conflicts of interests, bribery and unethical behavior in business. Where employees accept bribes or become aware of bribery, corruption or any other non-compliance with the code of conduct which has occurred or is likely to occur, they should promptly report to the supervisors. Responsible employees will face disciplinary action for such non-compliance once confirmed.

COMMUNITY ENGAGEMENT

While focusing on the development of artiste management business, the Group also pays attention to charity and always encourages its employees to actively participate in community welfare activities. In addition, we often arrange artists to join charity and community projects. By helping charitable organisations and institutions in launching events, we spread love in society. During the Year, our artists attended a charity golf tournament. The donation was applied to the charity fund that aims to relieve the financial burden of sick children's families and offer strong support to them. Our artists also participated in community campaigns promoted by non-profit environmental organisations, which were designed to promote municipal solid waste charging and enhance public awareness and education.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Ruigang, aged 48, was appointed as the Chairman and Non-executive Director of the Company on 25 October 2016. He is the Founding Chairman of CMC Capital Partners and CMC Holdings (together with its affiliates, called "CMC"). Mr. Li has rich operational experience and in-depth insight into China's media and entertainment industry. Mr. Li is a pioneer in establishing extensive international partnerships, and has led CMC in the creation of many industry champions across the areas of media, entertainment, sports, internet, mobile, and lifestyle. Mr. Li is a non-executive director of WPP plc which is listed on the London Stock Exchange and the New York Stock Exchange. Mr. Li is a member of the Chinese Football Association's Executive Committee and a board member of Special Olympics. Mr. Li is the Honorary Chairman of Shanghai Oriental Pearl Media Co. Ltd. which is listed on the Shanghai Stock Exchange. Mr. Li is the vice chairman and a non-executive director of Television Broadcasts Limited ("TVB") and a non-executive director of IMAX China Holding, Inc., both are the companies listed on the main board of the Stock Exchange. Mr. Li was formerly the chairman and president of Shanghai Media Group ("SMG") in China for more than ten years, and had successfully transformed SMG from a provincial broadcaster into a media conglomerate with a comprehensive business scope, including the A-share listed Shanghai Oriental Pearl Media Co. Ltd. and China Business Network. Mr. Li was also Chief of Staff of Shanghai Municipal Government. Mr. Li holds a Master's Degree of Arts and a Bachelor's Degree of Arts of Journalism from Fudan University.

EXECUTIVE DIRECTORS

Mr. Ding Siqiang, aged 55, is an executive Director of the Company. He was appointed a Director of the Company since 25 June 2009 and re-designated as an executive Director on 6 January 2010. He was the chairman and president of the Company until 29 January 2016. Mr. Ding has 25 years of experience in the sportswear industry since he started to operate Fujian Jinjiang Hengqiang Shoes and Plastics Company（福建省晉江市恒強鞋塑有限公司）in 1993. He joined the Group in 1999 as the vice chairman of Fujian Meike Leisure Sports Goods Co., Ltd.（福建美克休閒體育用品有限公司）("Fujian Meike"). He served as the legal representative and general manager of Fujian Meike since February 2003 and became the president of Fujian Meike since August 2007. He has been a member of the Ninth and Tenth Fujian Provincial Committee of the Chinese People's Political Consultative Conference（中國人民政治協商會議福建省第九屆和第十屆委員）since December 2002. He was appointed as a Standing Director of the First Session of the Jinjiang City Overseas Friendship Association（晉江市海外聯誼會第一屆常務理事）in December 2002. He was appointed as a Honorary Chairman of the First Council of the Jinjiang City Charity Federation（晉江市慈善總會首屆理事會榮譽會長）in December 2002. He was appointed as a director of the Fifth Board of Directors of Huaqiao University（華僑大學第五屆董事會董事）in December 2002. He was appointed as a Honorary Chairman of the Third Council of the Quanzhou City Footwear Chamber of Commerce（泉州市鞋業商會第三屆理事會名譽會長）in January 2006. He was appointed as the Honorary Leader of Chinese Women Hockey Team（中國女子曲棍球隊榮譽領隊）by Chinese Hockey Association（中國曲棍球協會）in October 2007. He also received his diploma in a course for chief executive officer in China（中國企業總裁高級研修班）from Peking University（北京大學）in September 2003. Mr. Ding is Ms. Ding Xueleng's husband.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Ding Xueleng, aged 52, was appointed as an executive Director on 6 January 2010 and is the Vice President of the Company. She is primarily responsible for the management of footwear and apparel operations, design, research and development of the Group. Ms. Ding has 25 years of experience in the sportswear industry since she became the director of Fujian Jinjiang Hengqiang Shoes and Plastics Company（福建省晉江市恒強鞋塑有限公司）. Ms. Ding joined the Group in February 1999 and was appointed as a director of Fujian Meike in 1999. She has also been the manager of Fujian Meike starting from February 1999 and was then appointed as the deputy general manager since February 2003. In August 2007, Ms. Ding was appointed as the general manager of Fujian Meike. Ms. Ding is a director of Fujian Meike. Ms. Ding is Mr. Ding Siqiang's wife.

Miss Lok Yee Ling Virginia, aged 61, was appointed as an executive Director of the Company on 29 January 2016. She is currently an Assistant General Manager (Talent Management and Development) of TVB. She first joined TVB in November 2003 as Assistant Controller (Talent), and was promoted to Deputy Controller (Production Resources) in May 2004 and Controller (Production Resources) in January 2008, and to her current position in July 2016. Miss Lok has had over 35 years of experience in TV drama production, artist management, production and distribution of motion pictures and the media industry in Hong Kong. From 1978 to 1982, Miss Lok started to work as assistant director (Drama) in Commercial Television and Rediffusion Television Limited ("RTV") and was promoted to director (Drama) in RTV. During this period, she also worked as line producer and production manager for a number of movies. From 1983 to 1993, Miss Lok took up the positions of line producer and executive producer in sizable movie production companies, including Shaw Brothers (Hong Kong) Limited. From 2009 to 2015, while serving as an executive of TVB, she also worked as executive producer and producer on a number of major movie productions. With years of experience in motion pictures, Miss Lok has produced more than 40 titles, including a number of major box office hits, such as Let's Make Laugh（表錯七日情）, Love in a Fallen City（傾城之戀）, To Be Number One（跛豪）, Prince Charming（青蛙王子）, Turning Point（Laughing Gor之變節）and 72 Tenants of Prosperity（72家租客）. Recent productions include Line Walker（使徒行者）and Triumph in the Skies（衝上雲霄）. Miss Lok is a director of Shine Investment Limited and Shine Holdings Cayman Limited, the substantial shareholders of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Hui To Thomas, aged 45, was appointed as a Non-executive Director of the Company on 25 October 2016. He is the chief operating officer and an executive director of CMC Holdings. Mr. Hui is also a non-executive director of Television Broadcasts Limited, which is listed on the main board of the Stock Exchange. Mr. Hui was formerly the managing director of Gravity Corporation, a media holding company. Prior to that, Mr. Hui was an independent non-executive director of KingSoft Corporation Limited, which is listed on the main board of the Stock Exchange. Before that, Mr. Hui was the president, chief operation officer and an executive director of GigaMedia Limited, a company listed on the NASDAQ stock market. Prior to that, Mr. Hui also was a non-executive director of JC Entertainment Corporation, a Korean online game company listed on the KOSDAQ stock market. He was an executive director in the investment banking division of Goldman Sachs (Asia) L.L.C., Hong Kong, and an investment banker at Merrill Lynch & Co. as well as serving as a management consultant at McKinsey & Company. Mr. Hui holds a Master's Degree of Engineering in Electrical Engineering from Cornell University and a Bachelor's Degree of Science in Electrical Engineering from the University of Wisconsin, Madison.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pang Hong, aged 63, was appointed as an Independent Non-executive Director of the Company on 23 June 2015. He is also the chairman of the Nomination Committee of the Company, a member of the Audit Committee of the Company, and a member of the Remuneration Committee of the Company. He had worked for various enterprises and government departments in China for over 20 years. He has substantial knowledge of the investment environment in China and has extensive experience in the management of Chinese companies. He is currently the independent non-executive directors of SMI Holdings Group Limited and Sino Haijing Holdings Limited, both companies listed on the main board of the Stock Exchange. Mr. Pang was also a former independent non-executive director of OCI International Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange, from 17 January 2001 to 29 February 2012.

Mr. Poon Kwok Hing Albert, aged 56, was appointed as an Independent Non-executive Director of the Company on 23 June 2015. He is also the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee of the Company. He is currently the independent non-executive directors of the Rosedale Hotel Holdings Limited and Master Glory Group Limited (former name: Hanny Holdings Limited), both companies listed on the main board of the Stock Exchange. Mr. Poon graduated from the University of Bath, United Kingdom with a Master of Science degree in Business Administration. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Miss Szeto Wai Ling Virginia, aged 55, was appointed as an independent non-executive Director of the Company on 29 January 2016. She is also the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company. She is a practising solicitor in Hong Kong and a solicitor of the Supreme Court of England and Wales. She holds a Bachelor of Laws Degree from Oxford Brookes University and a Master of Science Degree in Criminal Justice Policy from The London School of Economics and Political Science. Miss Szeto is currently an independent non-executive director of Shunten International (Holdings) Limited (former name: RM Group Holdings Limited) from 15 April 2016. Miss Szeto was a former chairman and non-executive director of Larry Jewelry International Company Limited from 3 October 2016 to 12 January 2018 and was a former executive director of Sino Haijing Holdings Limited from 19 March 2015 to 4 July 2016. She was also a former independent non-executive director of SMI Culture Group Holdings Limited (former name: Qin Jia Yuan Media Services Company Limited) from 31 August 2012 to 27 August 2013. All four companies are listed on the main board or the GEM of the Stock Exchange. Miss Szeto was the Head of Legal Department of New World Development Company Limited.

ALTERNATE DIRECTOR

Mr. Gu Jiong, aged 45, was appointed as an alternate Director to Mr. Thomas Hui To, a non-executive Director of the Company on 25 October 2016. Mr. Gu was a non-executive Director of the Company between 29 January 2016 and 25 October 2016. He has been the chief financial officer of CMC Holdings since October 2015 and a Director of CMC Capital Partners since September 2013. Prior to joining CMC Capital Partners, Mr. Gu served as the chief financial officer in BesTV New Media Co., Ltd. from January 2010 to September 2013. He worked in UTStarcom Inc. from April 2004 to December 2009 and was the corporate controller when he left the company. He also worked in Ernst & Young Shanghai office from July 1995 to April 2004 and was a senior manager of the audit department when he left the firm. Mr. Gu is currently an independent non-executive director of Xinming China Holdings Limited and Chen Xing Development Holdings Limited, both companies listed on the main board of the Stock Exchange. Mr. Gu has been a non-practicing member of the Chinese Institute of Certified Public Accountants since April 2004. Mr. Gu obtained a bachelor degree in finance management from Fudan University in the PRC in July 1995.

SENIOR MANAGEMENT

Miss Chan Yin Yi Annie, aged 49, was appointed as the Company Secretary and Authorised Representative of the Company on 29 January 2016. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

DIRECTORS' REPORT

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

THE COMPANY

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in Note 1 to the consolidated financial statements in this annual report.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, and the compliance with relevant laws and regulations, as well as the Group's environmental policies, relationship with stakeholders and performance which have a significant impact on the Company, can be found in the Management Discussion and Analysis set out on pages 5 to 11 and the Chairman's Statements as set out on pages 3 to 4 of this annual report. Such discussions forms part of this Report of the Directors.

DIVIDEND

No final dividend was declared by the Board for the year ended 31 December 2017.

FINANCIAL RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 55 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 15 June 2018 to Thursday, 21 June 2018 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 June 2018.

PROPERTY, PLANT AND EQUIPMENT

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

BANK BORROWINGS

Details of bank borrowings of the Group as at 31 December 2017 are set out in Note 25 to the consolidated financial statements in this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements in this annual report is set out on page 124. This summary does not form part of the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the Company's paid up capital for the Year are set out in Note 27 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

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

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

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

TRANSFER TO RESERVES

Loss attributable to equity shareholders, before dividends, of RMB7,225,000 (2016: loss attributable to equity shareholders RMB31,251,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity in this annual report.

RELATED PARTIES TRANSACTIONS

Details of the significant related party transactions entered into by the Group in the normal course of business during the year ended 31 December 2017 are disclosed in Note 35 to the consolidated financial statements in this annual report. The Directors consider that those material related party transactions did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 77.5% of the total sales for the Year and sales to the largest customer included therein amounted to 60.1% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for approximately 22.6% of the total purchases for the Year and purchase from the Group's largest supplier included therein amounted to 9.9% of the total purchases for the Year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

DIRECTORS

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

Chairman and Non-executive Director
Mr. Li Ruigang

Executive Directors
Mr. Ding Siqiang
Ms. Ding Xueleng
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)

Resigned Director
Mr. Jiang Wei (resigned on 1 January 2018)

DIRECTORS' REPORT

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

Mr. Li Ruigang, Mr. Hui To Thomas and Mr. Jiang Wei, who were appointed by the Board as Directors of the Company in 2016 and held office as Directors of the Company until the extraordinary general meeting held on 13 March 2017. They were successfully re-elected at such extraordinary general meeting.

Mr. Pang Hong, Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia retired at the AGM for 2017,were successfully re-elected at the AGM for 2017.

Mr. Ding Siqiang, Ms. Ding Xueleng and Miss Lok Yee Ling Virginia will retire as Directors at the AGM for 2018 held in June 2018, and being eligible, will offer themselves for re-election at AGM for 2018.

Details of the appointment and re-election of the Directors of the Company are set out in the section headed "Appointment, re-election and removal of Directors" in the Corporate Governance Report on page 14 of this annual report.

Apart from the foregoing, no Director proposed for re-election at the AGM for 2018 has a service contract or a letter of appointment with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BOARD COMMITTEES

The responsibilities of the Audit Committee, the Remuneration Committee and the Nomination Committee and their work done during the Year are set out in the Corporate Governance Report on pages 17 to 18 of this annual report.

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of Directors and member of senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 29 to 32 of this annual report.

DIRECTORS EMOLUMENTS

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

PERMITTED INDEMNITY

Pursuant to the Articles, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the financial year ended 31 December 2017.

INTERESTS OF DIRECTORS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

The following transactions constituted connected transactions and continuing connected transactions of the Company that are subject to the requirements under Chapter 14A of the Listing Rules:

(1) MAJOR AND CONNECTED TRANSACTION

On 26 July 2017, the Company entered into the conditional sale and purchase agreement (the "Agreement") with Champ Luck Enterprise Limited ("CLEL"), pursuant to which the Company has agreed to sell and CLEL agreed to acquire 51% of the issued share capital of Amber Jungle Limited (a company owned as to 51% by the Company and 49% by CLEL "the Target Company") ("the Sale Interests").

The Target Company has wholly owned subsidiaries engaged in investment holding as well as manufacturing and trading of sporting goods respectively.

At the date of entering into the Agreement, CLEL held 49% of the total issued share capital of the Target Company and was therefore a connected person (as defined in the Listing Rules) of the Company at the subsidiary level. Accordingly, the disposal of the Sale Interests by the Company pursuant to the Agreement ("Disposal") constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better was exempt from the circular, independent financial advice and shareholders' approval requirements if: (1) the listed issuer's board of directors has approved the transactions; and (2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

The Company had obtained the approval from the Board (including the independent non-executive Directors) regarding the Agreement and the transactions contemplated thereunder (comprising the Disposal) and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Agreement and the Disposal are fair and reasonable, and that the Disposal is on normal commercial terms or better and in the interests of the Company and the shareholders as a whole. As such, the Agreement and the Disposal are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules by virtue of Rule 14A.101 of the Listing Rules.

Further, since certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the Disposal constituted a major transaction for the Company under Chapter 14 of the Listing Rules and was subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Disposal had been approved by the shareholders at the Company's extraordinary general meeting held on 19 November 2017. The Disposal was completed in January 2018 and the total consideration for the Disposal is HK$41,000,000.

(2) CONTINUING CONNECTED TRANSACTION

(i) Cooperation Framework Agreement of the Company

On 29 November 2016, the Company entered into a cooperation framework agreement with CMC Holdings and Huaren Wenhua in respect of the collaboration in the Investment Projects (as defined below) and in the Artistes Engagement (as defined below) for a three years fixed term from 1 January 2017 to 31 December 2019 ("Cooperation Framework Agreement").

In relation to the Investment Projects which included investment, development, production, operation, distribution, sale of films, television programs, internet dramas, advertisements and/or new media content in any country, district or area.

In relation to the Artistes Engagement, which include the engagement of artistes by members of the Group, CMC Holdings or Huaren Wenhua or their respective associated companies for the Entertainment and Media Projects in accordance with the term of the Cooperation Framework Agreement.

At the date of entering into the Cooperation Framework Agreement, the ultimate controlling shareholder of both CMC Holdings and Huaren Wenhua was Mr. Li Ruigang who was the Chairman, a Director and a substantial shareholder of the Company and was interested, through several companies directly or indirectly held by him, in approximately 29.94 % of the total issued share capital of the Company. Each of CMC Holdings and Huaren Wenhua was an associate of Mr. Li Ruigang and hence a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Cooperation Framework Agreement will constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions contemplated under the Cooperation Framework Agreement exceed 5%, the Cooperation Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Cooperation Framework Agreement had been approved by the shareholders at the Company's extraordinary general meeting held on 13 March 2017.

During 2017, there were no transactions in relation to the Investment Projects and the Artiste Engagement occurred respectively, the amount in relation to the Investment Projects and the Artistes Engagement during 2017 was nil respectively.

(ii) Artiste Management Agreements of Tailor Made

On 1 September 2016, Tailor Made entered into Artiste Management Agreements with each of Good Servant and Esther Communications 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 throughout the world with effective since 1 September 2016. By the Performance Guarantees, Mr. Wong and Ms. Li guarantee separately the performance by Good Servant and Esther Communications of all their duties and obligations under the Artiste Management Agreements.

Tailor Made is an indirect non-wholly owned subsidiary of the Company. Mr. Wong is a director of Tailor Made and indirectly holds 22.5% of the issued shares of Tailor Made. Good Servant is entirely owned by Mr Wong and thus his associate. Hence, Mr. Wong and Good Servant are connected persons of the Company at the subsidiary level under the Listing Rules.

Ms. Li is the spouse of Mr. Wong and Esther Communications is entirely owned by Ms. Li. Both Ms. Li and Esther Communications are associates of Mr. Wong and thus also regarded as connected persons of the Company at the subsidiary level under the Listing Rules.

Accordingly, the transactions contemplated under the Artiste Management Agreements and Performance Guarantee will constitute continuing connected transactions of the Company under the Listing Rules, which have been approved by the Board.

The applicable percentage ratio as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions contemplated under the Artiste Management Agreement and Performance Guarantee for each of 2017, 2018 and 2019 with Good Servant exceed 5%, and those with Esther Communications are more than 0.1% but less than 5%. The Artiste Management Agreements, the Performance Guarantees and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements.

The amount in relation to the Artiste Management Agreement with Good Servant and Esther Communications were approximately RMB10,934,000 and RMB864,000 respectively during the year.

All of the independent non-executive Directors of the Company having reviewed the transactions described above and confirmed:

i. in the ordinary and usual course of business of the Company and its subsidiaries;

ii. either on normal commercial terms or on terms no less favourable to the Company and its subsidiaries than terms available to or from independent third parties; and

iii. according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 38 to 39 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2017, the following Directors (including their respective close associates) were considered to have interests in businesses which may compete, either directly or indirectly, with the businesses of the Group, particulars of which are set out below:

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

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

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

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

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

DIRECTORS' REPORT

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

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the Year.

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement plans that cover the Group's eligible employees in the PRC and a Mandatory Provident Fund Scheme for the employee in Hong Kong. Particulars of these retirement plans are set out in Note 34 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2017 amounted to RMB420.5 million.

INTEREST BEARING BANK BORROWINGS

Particulars of interest bearing bank loans of the Group as at 31 December 2017 are set out in Note 25 to the financial statements.

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

As at 31 December 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 (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code, to be notified to the Company and The Stock Exchange of Hong Kong Limited, were as follows:

LONG POSITION IN THE SHARES AND IN THE UNDERLYING SHARES

Name of Director	Capacity/Nature	No. of shares/ underlying shares interested	Approximately percentage of shareholders (Note 1)
Mr. Li Ruigang	Interest of controlled corporation	425,000,000 (Note 2)	29.94%
Mr. Ding Siqiang	Beneficial owner	4,034,000	0.28%
Ms. Ding Xueleng	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 31 December 2017, which was 1,419,610,000.

2. Mr. Li Ruigang was interested in such 425,000,000 Shares through certain corporations controlled directly or indirectly by him. Shine Investment Limited ("Shine Investment"), Shine Holdings Cayman Limited ("Shine Holdings"), CMC Shine Acquisition Limited ("CMC Shine Acquisition"), CMC Shine Holdings Limited ("CMC Shine Holdings"), CMC Holdings, 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 100% owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Holdings. CMC Holdings was 86.19% owned by Gold Pioneer, and was 0.48% owned by GLRG Holdings which was wholly-owned by Gold Pioneer. 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 Ruigang.

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 is interested in.

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

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

As at 31 December 2017, not being Directors or chief executive of the Company had interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

LONG POSITION IN THE SHARES

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

Notes:

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

At 31 December 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.

1. The percentage is calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2017, which was 1,419,610,000.

2. Shine Investment, Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Holdings and Gold Pioneer were the substantial shareholders of the Company. Shine Investment was interested in such 425,000,000 Shares. Shine Investment was 85% owned by Shine Holdings which was 100% owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Holdings. CMC Holdings was 86.19% owned by Gold Pioneer, and was 0.48% owned by GLRG Holdings which was wholly-owned by Gold Pioneer. Each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Holdings and Gold Pioneer was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Gold Pioneer was 100% owned by Mr. Li Ruigang. Mr. Li Ruigang was interested in such 425,000,000 Shares through the above corporations controlled directly or indirectly by him (also see Note 4 below).

3. TVB was deemed to be interested in such 425,000,000 Shares through its interest in Shine Investment (also see Note 4 below).

4. 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.

Save as disclosed above, as at 31 December 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

As to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (hereinafter in this paragraph, the "Scheme") on 6 January 2010 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the Shares 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 Year, no option has been granted, cancelled nor lapsed.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed approximately 592 full-time staff members. The basic remunerations of the employees are determined with reference to the industry's remuneration benchmark, the employees' experience and their performance, and equal opportunities will be offered to all staff. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits required by laws, the Group also provides discretionary bonuses based upon the Group's results and the individual performance of the staff. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for many years. The Group adopted a share option scheme as incentive for its employees, further details of which are set out in the paragraph headed "Share Option Scheme" above.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 12 to 23 of this annual report.

CONFIRMATION OF INDEPENDENCE

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

PUBLIC FLOAT

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

EVENT AFTER REPORTING PERIOD

Save as disclosed in Note 39 to the consolidated financial statements in this annual report, there are no material event after reporting period as at the date of this annual report.

AUDITOR

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

By Order of the Board

Li Ruigang
Chairman
Hong Kong, 20 March 2018

信永中和
ShineWing

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

INDEPENDENT AUDITOR'S REPORT
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)

OPINION

We have audited the consolidated financial statements of Shaw Brothers Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 123, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

– Revenue recognition – Films, drama and non-drama investment income

– Impairment of investments in films, drama and non-drama productions

– Impairment of property, plant and equipment

– Impairment of trade receivables

REVENUE RECOGNITION – FILMS, DRAMA AND NON-DRAMA INVESTMENT INCOME

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

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

KEY AUDIT MATTERS *(continued)*

IMPAIRMENT OF INVESTMENTS IN FILMS, DRAMA AND NON-DRAMA PRODUCTIONS

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

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

KEY AUDIT MATTERS *(continued)*

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

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

The key audit matter	How the matter was addressed in our audit
The Group has property, plant and equipment as at 31 December 2017 was principally used in entertainment industry for approximately RMB1,949,000 and the property, plant and equipment for approximately RMB51,111,000 used in manufacturing segment had been reclassified as assets held for sales. The Group's assessment on impairment of property, plant and equipment is a judgemental process which requires estimates concerning the forecast future cash flows associated with the assets held, the discount rate and the growth rate of revenue and costs to be applied in determining the value in use. The selection of valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input the valuation model may result in significant financial impact. The extent of judgement and the size of the property, plant and equipment resulted in this matter being identified as a key audit matter.	In order to address this matter in our audit, we obtained management's assessment prepared by the independent external valuer and reassessed the reasonableness of the selection of valuation model, adoption of key assumptions and input data. In particular, we tested the future cash flow forecast on whether it is agreed to the budget approved by the board of directors and compared the budget with actual results available up to the report date. We also reassessed the appropriateness of the assumptions, including the sales growth rates and gross margin, against the latest market expectations. We also reassessed the discount rate employed in the calculation of value in use by reviewing its basis of calculation and comparing its input data to market sources. As any changes in these assumptions and input to valuation model may result in significant financial impact, we tested management's sensitivity analysis in relation to the key inputs to the impairment assessment which included changes in the sales growth rate, gross margin and discount rate employed.

KEY AUDIT MATTERS *(continued)*

IMPAIRMENT OF TRADE RECEIVABLES

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

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

OTHER INFORMATION

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

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

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

Hong Kong
20 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000 (Re-presented)
Continuing operation			
Revenue	5	**152,831**	93,855
Cost of sales		**(117,589)**	(83,345)
Gross profit		**35,242**	10,510
Other income	7	**2,616**	2,610
Selling and distribution expenses		**(3,241)**	(24)
Administrative expenses		**(36,918)**	(36,582)
Other operating expenses		**(1,100)**	(5,000)
Finance costs	8	**(1,664)**	(1,739)
Loss before tax		**(5,065)**	(30,225)
Income tax	9	**(1,050)**	–
Loss and total comprehensive expense for the year from continuing operation	10	**(6,115)**	(30,225)
Discontinued operation			
Loss and total comprehensive expense for the year from discontinued operation	38	**(446)**	(8,585)
Loss and total comprehensive expense for the year		**(6,561)**	(38,810)
Loss and total comprehensive expense for the year attributable to owners of the Company:			
– From continuing operation		**(6,999)**	(26,873)
– From discontinued operation		**(226)**	(4,378)
		(7,225)	(31,251)
Profit (loss) and total comprehensive income (expense) for the year attributable to non-controlling interests:			
– From continuing operation		**884**	(3,352)
– From discontinued operation		**(220)**	(4,207)
		664	(7,559)
Total loss and total comprehensive expense for the year		**(6,561)**	(38,810)
Loss per share			
From continuing and discontinued operations			
– Basic and diluted (RMB cents)	13	**(0.509)**	(2.322)
From continuing operation			
– Basic and diluted (RMB cents)	13	**(0.493)**	(1.997)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,949**	55,358
Prepaid lease payments	16	**–**	10,372
		1,949	65,730
Current assets			
Inventories	19	**–**	17,010
Loan receivable	18	**6,522**	20,380
Trade and other receivables	20	**106,514**	101,888
Deposit paid for potential acquisition	26	**25,836**	25,836
Investments in films, drama and non-drama	17	**62,747**	46,205
Films, drama and non-drama productions in progress	17	**65,182**	–
Prepaid lease payments	16	**–**	297
Financial asset at fair value through profit or loss	21	**25,074**	–
Bank balances and cash	22	**144,222**	344,237
		436,097	555,853
Assets classified as held for sales	38	**187,270**	–
		623,367	555,853
Current liabilities			
Trade and other payables	23	**30,183**	26,924
Income tax payables		**1,050**	–
Amounts due to related companies	24	**4,698**	28,496
Secured bank borrowings	25	**33,000**	121,800
		68,931	177,220
Liabilities directly associated with assets classified as held for sales	38	**118,583**	–
		187,514	177,220
Net current assets		**435,853**	378,633
		437,802	444,363

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000
Capital and reserves			
Share capital	27	**12,322**	12,322
Reserves		**394,292**	401,517
Equity attributable to owners of the Company		**406,614**	413,839
Non-controlling interests		**31,188**	30,524
Total equity		**437,802**	444,363

The consolidated financial statements on pages 55 to 123 were approved and authorised for issue by the board of directors on 20 March 2018 and are signed on its behalf by:

Mr. Hui To Thomas
Director

Miss Lok Yee Ling Virginia
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Notes	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (Note a)	Other reserves RMB'000 (Note b)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016		10,355	561,252	47,382	136,801	(507,435)	248,355	–	248,355
Loss for the year		–	–	–	–	(31,251)	(31,251)	(7,559)	(38,810)
Appropriation to statutory reserve		–	–	40	–	(40)	–	–	–
Disposal of partial interest in a subsidiary without losing control		–	–	–	5,199	–	5,199	38,083	43,282
Issue of shares	27	1,967	194,634	–	–	–	196,601	–	196,601
Transaction costs attributable to issue of shares		–	(5,065)	–	–	–	(5,065)	–	(5,065)
At 31 December 2016		12,322	750,821	47,422	142,000	(538,726)	413,839	30,524	444,363
At 1 January 2017		**12,322**	**750,821**	**47,422**	**142,000**	**(538,726)**	**413,839**	**30,524**	**444,363**
(Loss) profit for the year		**–**	**–**	**–**	**–**	**(7,225)**	**(7,225)**	**664**	**(6,561)**
At 31 December 2017		**12,322**	**750,821**	**47,422**	**142,000**	**(545,951)**	**406,614**	**31,188**	**437,802**

Notes:

(a) Statutory reserve

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

(b) Other reserves

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000 (Re-presented)
OPERATING ACTIVITIES		
Loss before tax from continuing operation	**(5,065)**	(30,225)
Loss before tax from discontinued operation	**(446)**	(8,585)
Loss before tax	**(5,511)**	(38,810)
Adjustments for:		
Finance costs	**5,778**	5,460
Interest income	**(2,091)**	(2,567)
Amortisation of prepaid lease payments	**297**	302
Depreciation of property, plant and equipment	**4,161**	3,632
Reversal of impairment loss recognised in respect of trade receivables	**(664)**	(10,896)
Impairment loss recognised in respect of trade receivables	**4,652**	19,373
Impairment loss recognised in respect of other prepayment	**1,100**	4,566
Impairment loss recognised in respect of property, plant and equipment	**1,412**	11,174
Net gain on financial asset at fair value through profit or loss	**(68)**	–
Gain on disposal of property, plant and equipment	**(12)**	(10)
Government grants	**(39)**	(43)
Operating cash inflows (outflows) before movements in working capital	**9,015**	(7,819)
Increase in films, drama and non-drama investments	**(16,542)**	(21,749)
Increase in films, drama and non-drama productions in progress	**(65,182)**	–
Decrease (increase) in inventories	**3,941**	(649)
Increase in trade and other receivables	**(13,945)**	(261)
Increase (decrease) in trade and other payables	**33,042**	(1,906)
(Decrease) increase in amount due to a related company	**(23,943)**	26,238
Increase in financial asset at fair value through profit or loss	**(25,006)**	–
NET CASH USED IN OPERATING ACTIVITIES	**(98,620)**	(6,146)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000 (Re-presented)
INVESTING ACTIVITIES		
Repayment from a loan receivable	**13,858**	–
Purchases of property, plant and equipment	**(3,275)**	(1,213)
Interests received	**2,091**	2,567
Proceeds from disposal of property, plant and equipment	**12**	10
Net proceeds from disposal of partial interest in a subsidiary	**–**	43,282
Placement of short-term bank deposits maturing beyond three months	**–**	(491,865)
Withdrawal of short-term bank deposits maturing beyond three months	**–**	528,030
Deposit paid for potential acquisition	**–**	(25,836)
Withdrawal of pledged bank deposit	**–**	5,000
NET CASH GENERATED FROM INVESTING ACTIVITIES	**12,686**	59,975
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(154,700)**	(136,900)
Proceeds from issue of shares	**–**	196,601
Transaction cost for issue of shares	**–**	(5,065)
Interests paid	**(5,778)**	(5,460)
New bank borrowings raised	**154,700**	141,400
Advance from a related company	**145**	978
Government grants received	**39**	43
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(5,594)**	191,597
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(91,528)**	245,426
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**344,237**	98,811
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**252,709**	344,237
Represented by bank balances and cash attributable to:		
– Continuing operation	**144,222**	344,237
– Discontinued operation	**108,487**	–
	252,709	344,237

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 investments in films, drama and non-drama productions and artiste and event management. The Company acts as an investment holding company and engaged in the investments in films, drama and non-drama productions and artiste and event management. The principal activities of its subsidiaries are set out in Note 37.

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

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

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

NEW AND REVISED HKFRSS IN ISSUE BUT NOT YET EFFECTIVE

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

Amendment to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendment to HKAS 9	Prepayment Features with Negative Compensation and Basis for Conclusions[3]
Amendment to HKAS 28	Long-term Interests in Associates and Joint Ventures[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 15	Clarification to HKFRS 15[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[3]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consieration[1]
HK(IFRIC) – Interpretation 23	Uncertainty over Income tax treatments[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective date not yet been determined
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after 1 January 2021

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

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

HKFRS 9 (2014) FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

The directors of the Company has performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

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

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarification to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures; however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Based on the Group existing business model as at 31 December 2017, the directors of the Company do not anticipate that the application of these amendments will have material effect on the Group's consolidated financial statements.

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

HKFRS 16 LEASES

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

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

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

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

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

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

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

As at 31 December 2017, the group has non-cancellable operating lease commitments of RMB1,819,000 (2016: RMB993,000) as disclosed in Note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION

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

– has power over the investee;

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

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

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

– a contractual arrangement with other vote holders;

– rights arising from other contractual arrangements;

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION *(continued)*

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

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non controlling interests having a deficit balance.

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

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

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVENTORIES

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

FILMS, DRAMA AND NON-DRAMA PRODUCTIONS IN PROGRESS

Films, drama and non-drama productions in progress is stated at cost incurred to date, less any identified impairment losses. Costs included all direct costs associated with the production of films, drama and non-drama.

CASH AND CASH EQUIVALENTS

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

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

FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial asset at fair value thought profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Financial asset at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designed as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial asset at FVTPL is stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss included any interest earned on the financial assets and is included in the 'other income' line item. Fair value is determined in the manner described in note 30.

Loans and receivables

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

Impairment of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

***Financial assets** (continued)*

Impairment of financial assets (continued)

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

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

Derecognition

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

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

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

REVENUE RECOGNITION

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION *(continued)*

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

Revenue from films, drama and non-drama productions is recognised at the point of sales when the films, drama and non-drama products are given to the customers.

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

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

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

BORROWING COSTS

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

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

FOREIGN CURRENCIES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT LOSSES ON TANGIBLE ASSETS

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

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

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

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

LEASING

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

The Group as lessee

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

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

The Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASEHOLD LAND AND BUILDING

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

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

RETIREMENT BENEFIT COSTS

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

SHORT-TERM EMPLOYEE BENEFITS

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

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

GOVERNMENT GRANTS

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

NON-CURRENT ASSETS HELD FOR SALES

Non-current assets and disposal group are classified as held for sales if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the assets or the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and the liabilities of that subsidiary are classified as held for sales when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sales.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposal of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint control over the joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with HKAS 39 unless the retained interest continues to be an associate or joint venture, in which case the Group uses the equity method (see the accounting policy regarding investment in joint ventures above.)

Non-current assets and disposal groups classified as held for sales are measured at the lower of their previous carrying amount and fair value less costs of disposal.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

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

Control in a subsidiary

As per Note 37, Tailor Made Production Limited is a subsidiary of the Group even though the Group has only a 40% ownership interest and has only 40% of the voting rights in Tailor Made Production Limited. Tailor Made Production Limited is a private company incorporated in Hong Kong. The Group has had 40% ownership interest when it is incorporated at 31 March 2016 and the remaining 60% of the ownership interests are held by three shareholders that are not related to the Group.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Depreciation of property, plant and equipment

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

Estimated impairment loss on property, plant and equipment

The Group performs assessments on whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicated that the carrying amounts of the assets may not be recoverable, in accordance with the stated accounting policy. Where there is an indicator of impairment, an estimation of the recoverable amount is required. Such estimations are based on certain assumptions which are subject to uncertainty and might differ from the actual result.

As at 31 December 2017, the carrying amounts of property, plant and equipment were approximately RMB1,949,000, impairment loss of RMB1,412,000 (2016: RMB55,358,000, impairment loss of RMB11,174,000) has been recognised during the year ended 31 December 2017.

Impairment of inventories

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventory and judgements on the conditions and usefulness of items of inventories. Where the expected net realisable value is lower than the cost of certain items, a write-down of inventories may arise. As at 31 December 2017, no inventory was recognised. (2016: RMB17,010,000, net of accumulated allowance of approximately RMB5,238,000).

Estimated impairment loss on trade, other receivables and prepayments

The Group estimates impairment loss on trade, other receivables and prepayments based on an assessment of the recoverability of trade, other receivables and prepayments. Impairment loss are estimated where events or change in circumstances indicate that the balances may not be collectible. These estimates were based on the payment history, credit-worthiness, historical write-off experience, likelihood of collection and default or delinquency in payments. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated. As at 31 December 2017, the carrying amounts of the trade receivables were approximately RMB58,092,000. (2016: the carrying amounts of trade receivables were approximately RMB64,826,000). As at 31 December 2017, the carrying amounts of the other receivables and prepayments were approximately RMB48,422,000, net of provision of impairment loss approximately RMB5,666,000 (2016: the carrying amounts of other receivables and prepayments were approximately RMB37,062,000, net of provision of impairment loss approximately RMB4,566,000). During the year ended 31 December 2017, impairment loss in respect of other prepayment of approximately RMB1,100,000 (2016: RMB4,566,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment loss on deposit paid for potential acquisition

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of deposit paid for acquisition of a subsidiary is RMB25,836,000 (2016: RMB25,836,000). No impairment loss is recognised during the years ended 31 December 2017 and 2016.

Estimated impairment loss on loan receivable

Loan receivable is reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The directors of the Company make judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount. These estimates were based on the payment history, credit-worthiness, historical write-off experience and default or delinquency in payments. If the financial condition of loan borrower was to deteriorate, actual write-offs would be higher than estimated. As at 31 December 2017, the carrying amount of the loan receivable was approximately RMB6,522,000 (2016: RMB20,380,000). No impairment loss is recognised during the years ended 31 December 2017 and 2016.

Estimated impairment loss on investments in films, drama and non-drama

In assessing the recoverability of investments in films, drama and non-drama, management assesses the credibility of the counterparties, the progress of the related films, drama and non-drama productions and the market condition. Management determines the provision for impairment of investments in films, drama and non-drama taking into accounts the estimation of cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year ended 31 December 2017, no impairment loss on the investments in films, drama and non-drama (2016: nil) is recognised in the consolidated statement of profit or loss and other comprehensive income.

Estimated impairment loss on films, drama and non-drama productions in progress

As explained in Note 3, the Group's films, drama and non-drama productions in progress is stated at the lower of cost and net realisable value. The management of the Group identifies the slow-moving films, drama and non-drama productions in progress that is no longer suitable for use in production. The management estimates the net realisable value for such films, drama and non-drama productions in progress based primarily on the latest available market prices and current market conditions. In addition, the Group carries out review on each film, drama and non-drama at the end of the reporting period and makes allowances for any films and drama and non-drama productions in progress that production is no longer proceed.

Income taxes

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

5. REVENUE

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

	2017	2016
	RMB'000	RMB'000
		(Re-presented)
Investments in films, drama and non-drama productions income	**106,444**	44,195
Artiste and event management services income	**45,986**	35,203
Others	**401**	14,457
	152,831	93,855

6. SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

During the year ended 31 December 2017, the Company has entered into an agreement to dispose of the 51% interests in Amber Jungle Limited and its subsidiaries (collectively referred to as the "Disposal Group") which were previously included in manufacturing and trading segment. The directors of the Company considered such business was classified as discontinued operation during the year ended 31 December 2017 and details are set out in Note 38. The segment information does not include the discontinued business. The other business previously included in manufacturing and trading segment are included in other segment below.

SEGMENT REVENUES, RESULTS, ASSETS AND LIABILITIES

The directors of the Company have chosen to organise the Group around differences in products and services. The Group is principally engaged in the investments in films, drama and non-drama productions and artiste and event management.

(i) Investments in films, drama and non-drama productions – investments, productions and distribution of films, drama and non-drama;

(ii) Artiste and event management – the provision of artiste and event management services; and

(iii) Others – trading and other activities including management and administrative function.

6. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUES, RESULTS, ASSETS AND LIABILITIES *(continued)*

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

SEGMENT REVENUES AND RESULTS

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

Continuing operation:

	Investments in films, drama and non-drama productions		Artiste and event management		Others		Total	
	Year ended 31 December							
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Re-presented)		(Re-presented)		(Re-presented)		(Re-presented)
Segment revenue	**106,444**	44,195	**45,986**	35,203	**401**	14,457	**152,831**	93,855
Segment profit (loss)	**11,004**	8,762	**4,466**	(4,893)	**(3,692)**	(5,542)	**11,778**	(1,673)
Unallocated income							**2,616**	2,550
Unallocated expenses							**(19,459)**	(31,102)
Loss before tax							**(5,065)**	(30,225)

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

6. SEGMENT INFORMATION *(continued)*

SEGMENT ASSETS AND LIABILITIES

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

Continuing operation:

	2017 **RMB'000**	2016 RMB'000
SEGMENT ASSETS		
Investments in films, drama and non-drama productions	**165,118**	65,212
Artiste and event management	**27,928**	33,083
Others	**35,700**	132,835
Unallocated	**209,300**	390,453
Total segment assets	**438,046**	621,583
Assets relating to discontinued operation/assets classified as held for sales	**187,270**	–
	625,316	621,583
SEGMENT LIABILITIES		
Investments in films, drama and non-drama productions	**9,341**	3,669
Artiste and event management	**24,187**	30,959
Others	**–**	17,882
Unallocated	**35,403**	124,710
Total segment liabilities	**68,931**	177,220
Liabilities relating to discontinued operation/liabilities classified as held for sales	**118,583**	–
	187,514	177,220

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, financial asset at fair value through profit or loss, bank balances and cash and certain other receivables and prepayments as these assets are managed on a group basis; and

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

6. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION

Continuing operation:

	Investments in films, drama and non-drama productions RMB'000	Artiste and event management RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2017					
Amounts included in the measure of segments results or segment assets:					
Additions to non-current assets	–	–	–	1,800	1,800
Depreciation of property, plant and equipment	–	–	–	309	309
Impairment loss recognised in respect of other prepayment	–	1,100	–	–	1,100
Amounts regularly provided to the CODM but not included in the measure of segment result:					
Interest income	–	–	–	(1,244)	(1,244)
Finance cost	–	–	–	1,664	1,664

6. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION *(continued)*

Continuing operation: *(continued)*

	Investments in films, drama and non-drama productions RMB'000	Artiste and event management RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000 (Re-presented)
Year ended 31 December 2016					
Amounts included in the measure of segments results or segment assets:					
Additions to non-current assets	–	526	–	–	526
Depreciation of property, plant and equipment	1	68	–	–	69
Impairment loss recognised in respect of other prepayment	–	4,566	–	–	4,566
Amounts regularly provided to the CODM but not included in the measure of segment result:					
Interest income	–	–	–	(1,244)	(1,244)
Finance cost	–	–	–	1,739	1,739

6. SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

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

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

Continuing operation:

	The PRC RMB'000	**Hong Kong** RMB'000	**Total** RMB'000
Revenue from external customers			
Year ended 31 December 2017	**30,236**	**122,595**	**152,831**
Year ended 31 December 2016 (Re-presented)	14,457	79,398	93,855
Non-current assets			
As at 31 December 2017	**673**	**1,276**	**1,949**
As at 31 December 2016	65,272	458	65,730

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2017 **RMB'000**	2016 RMB'000 (Re-presented)
Customer A[1 & 2]	**N/A***	51,187
Customer B[1]	**91,873**	N/A*

1 Revenue from investments in films, drama and non-drama productions

2 Revenue from artiste and event management services income

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

7. OTHER INCOME

	2017 RMB'000	2016 RMB'000 (Re-presented)
Government grants (Note)	–	8
Net exchange gain	1,304	1,306
Interest income	1,244	1,244
Gain on disposal of property, plant and equipment	–	3
Net fair value gain on financial asset at FVTPL (Note 21)	68	–
Others	–	49
	2,616	2,610

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

8. FINANCE COSTS

	2017 RMB'000	2016 RMB'000 (Re-presented)
Interest expenses on bank borrowings wholly repayable within five years	1,664	1,739

9. INCOME TAX

	2017 RMB'000	2016 RMB'000 (Re-presented)
Current tax:		
Hong Kong Profits Tax	**320**	–
PRC Enterprise Income Tax ("EIT")	**730**	–
	1,050	–

(i) Pursuant to the rule and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2016 and 2017. Tax exemptions represented reduction of Hong Kong Profits Tax for the year of assessment of 2016/2017 by 75%, subject to a ceiling of HK$20,000 per case.

(iii) Under the Law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 December 2016 and 2017.

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

	2017 RMB'000	2016 RMB'000 (Re-presented)
Loss before tax	**(5,065)**	(30,225)
Tax at the domestic income tax rate of 25% (2016: 25%)	**(1,266)**	(7,556)
Effect of different taxation rates in other countries	**164**	(1,775)
Tax effect of income not taxable	**(145)**	–
Tax effect of non-deductible expenses	**749**	4,408
Tax effect of deductible temporary differences not recognised	**–**	2,823
Tax effect of unused tax losses not recognised	**1,600**	2,100
Effect of tax exemption granted	**(52)**	–
Income tax expense for the year	**1,050**	–

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

Details of the deferred taxation are set out in Note 28.

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

Continuing operation

	2017 **RMB'000**	2016 RMB'000 (Re-presented)
Salaries and allowances	**13,483**	8,974
Contributions to retirement benefits scheme	**1,453**	946
Total staff costs (including directors' and chief executive's emoluments disclosed in Note 11)	**14,936**	9,920
Impairment loss on other prepayment (included in the operating expenses)	**1,100**	4,566
Auditors' remuneration	**1,214**	1,027
Depreciation of property, plant and equipment	**309**	69
Research and development cost	**–**	434
Operating lease rentals in respect of office premises	**1,744**	494

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 10 (2016: 15) directors and the chief executive were as follows:

	Fees RMB'000	Performance bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings				
For the year ended 31 December 2017				
Chief executive:				
Mr. Li Ruigang (Note b)	**312**	**–**	**–**	**312**
Executive directors:				
Mr. Ding Siqiang (Notes c & n)	**–**	**–**	**–**	**–**
Ms. Ding Xueleng (Note n)	**–**	**–**	**–**	**–**
Mr. Jiang Wei (Note d)	**104**	**–**	**–**	**104**
Miss Lok Yee Ling Virginia (Note g)	**422**	**469**	**15**	**906**
	838	**469**	**15**	**1,322**
Non-executive directors:				
Mr. Hui To Thomas (Note h)	**104**	**–**	**–**	**104**
Independent non-executive directors:				
Mr. Pang Hong (Note j)	**143**	**–**	**–**	**143**
Mr. Poon Kwok Hing, Albert (Note j)	**143**	**–**	**–**	**143**
Miss Szeto Wai Ling Virginia (Note k)	**143**	**–**	**–**	**143**
	429	**–**	**–**	**429**
Alternate director				
Mr. Gu Jiong (Notes m & n)	**–**	**–**	**–**	**–**
	1,371	**469**	**15**	**1,855**

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

	Fees RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings			
For the year ended 31 December 2016			
Chief executive:			
Dr. Allan Yap (Note a)	578	13	591
Mr. Li Ruigang (Note b)	57	–	57
Executive directors:			
Mr. Ding Siqiang (Note c)	128	8	136
Ms. Ding Xueleng	128	8	136
Mr. Jiang Wei (Note d)	19	–	19
Mr. Li Dongxing (Notes e & n)	–	–	–
Mr. Lau Yu Hang (Note f)	197	3	200
Miss Lok Yee Ling Virginia (Note g)	445	3	448
	1,552	35	1,587
Non-executive directors:			
Mr. Hui To Thomas (Note h)	19	–	19
Mr. Wong Ka Ching (Note i)	252	–	252
	271	–	271
Independent non-executive directors:			
Mr. Pang Hong (Note j)	103	–	103
Mr. Poon Kwok Hing, Albert (Note j)	103	–	103
Miss Szeto Wai Ling Virginia (Note k)	95	–	95
Ms. Qiu Qiuxing (Notes l & n)	–	–	–
	301	–	301
Alternate director			
Mr. Gu Jiong (Note m & n)	–	–	–
	2,124	35	2,159

Notes:

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

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

Notes: *(continued)*

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

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

(d) Mr. Jiang Wei has been appointed as executive director on 25 October 2016 and has resigned on 1 January 2018.

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

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

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

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

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

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

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

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

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

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

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

Dr. Li Ruigang was appointed as the chief executive of the Company on 25 October 2016 and his emoluments disclosed above include those for services rendered by him as the chief executive.

Two of the directors of the Company as indicated above waived or agreed to waive emoluments of RMB456,000 paid by the Group for the year ended 31 December 2017.

No emoluments have been paid to directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2017 and 2016.

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

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2016: two) were the directors of the Company whose emolument is set out in Note 11 above. The emoluments of the remaining three (2016: three) highest paid individuals were as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances, and other benefits	2,020	1,115
Contributions to retirement benefits scheme	44	26
	2,064	1,141

Their emoluments were within the following bands:

	2017 Number of individuals	2016 Number of individuals
HK$ nil to HK$1,000,000 (equivalent to approximately RMB867,000 (2016: RMB856,000))	2	3
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB867,000 to RMB13,007,000)	1	–

No emoluments were paid by the Group to the five highest paid individuals as an incentive payment for joining the Group or as compensation for loss of office for the years ended 31 December 2017 and 2016.

13. LOSS PER SHARE

FROM CONTINUING AND DISCONTINUED OPERATIONS

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

	2017 RMB'000	2016 RMB'000 (Re-presented)
Loss		
Loss for the purpose of basic and diluted loss per share	(7,225)	(31,251)

13. LOSS PER SHARE *(continued)*

FROM CONTINUING AND DISCONTINUED OPERATIONS *(continued)*

	2017	2016
	’000	’000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,419,610**	1,345,771

Note:

The weighted average number of ordinary shares in issue during the year ended 31 December 2016 assuming 1,345,771,000 ordinary shares were in issue during the year ended 31 December 2016 after taking into account the ordinary shares issued pursuant to the placing as stated in Note 27.

The dilutive loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2017 and 2016.

FROM CONTINUING OPERATION

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

	2017	2016
	RMB’000	RMB’000
		(Re-presented)
Loss		
Loss for the purpose of basic and diluted loss per share	**(6,999)**	(26,873)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

FROM DISCONTINUED OPERATION

Basic and diluted loss per share for the discontinued operation is RMB0.016 cent per share (2016: loss per share RMB0.325 cent per share), based on the loss for the year from the discontinued operation of approximately RMB226,000 (2016: approximately RMB4,378,000) and the denominators detailed above for basic and diluted loss per share.

14. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machineries	Office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 31 January 2016	94,717	14,984	7,161	3,130	119,992
Additions	–	366	532	315	1,213
Disposals	–	–	(10)	(679)	(689)
At 31 December 2016	94,717	15,350	7,683	2,766	120,516
Additions	–	1,475	1,800	–	3,275
Disposal	–	–	–	(483)	(483)
Reclassification of assets held for sales (Note 38)	(94,717)	(13,818)	(5,107)	(1,769)	(115,411)
At 31 December 2017	–	3,007	4,376	514	7,897
DEPRECIATION AND IMPAIRMENT					
At 31 January 2016	25,766	14,984	7,161	3,130	51,041
Provided for the year	3,533	14	69	16	3,632
Impairment loss recognised in profit or loss	10,518	352	5	299	11,174
Disposals	–	–	(10)	(679)	(689)
At 31 December 2016	39,817	15,350	7,225	2,766	65,158
Provided for the year	3,789	63	309	–	4,161
Impairment loss recognised in profit or loss	–	1,412	–	–	1,412
Disposal	–	–	–	(483)	(483)
Reclassification of assets held for sales (Note 38)	(43,606)	(13,818)	(5,107)	(1,769)	(64,300)
At 31 December 2017	–	3,007	2,427	514	5,948
CARRYING AMOUNTS					
At 31 December 2017	**–**	**–**	**1,949**	**–**	**1,949**
At 31 December 2016	54,900	–	458	–	55,358

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

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

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

During the year ended 31 December 2017, 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 machineries of approximately RMB1,412,000 (2016: buildings, machineries, office equipment and motor vehicles of approximately RMB10,518,000, RMB352,000, RMB5,000 and RMB299,000 respectively), which have been recognised in consolidated statement of profit or loss and other comprehensive income. The pre-tax discount rate in measuring the amounts of value-in-use is 13% (2016: 13%).

16. PREPAID LEASE PAYMENTS

	2017 **RMB'000**	2016 RMB'000
At 1 January	**10,669**	10,971
Amortisation of prepaid land lease payments	**(297)**	(302)
Reclassification of assets held for sales (Note 38)	**(10,372)**	–
At 31 December	**–**	10,669

	2017 **RMB'000**	2016 RMB'000
Analysed for reporting purposes as:		
Non-current asset	**–**	10,372
Current asset	**–**	297
	–	10,669

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

17. INVESTMENTS IN FILMS, DRAMA AND NON-DRAMA PRODUCTIONS IN PROGRESS

	2017 RMB'000	2016 RMB'000
Investments in films, drama and non-drama	**62,747**	46,205

	2017 RMB'000	2016 RMB'000
At 1 January	**46,205**	24,456
Additions	**29,414**	56,506
Recognised in cost of sales	**(12,872)**	(34,757)
At 31 December	**62,747**	46,205

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

During the year ended 31 December 2017, the Group recognised the cost of investments in films, drama and non-drama of approximately RMB12,872,000 (2016: approximately RMB34,757,000) and no impairment loss on the investments in films, drama and non-drama (2016: nil) was recognised based on the expected future revenue to be generated from the films, drama and non-drama with reference to their marketability and current market condition.

	2017 RMB'000	2016 RMB'000
Films, drama and non-drama productions in progress	**65,182**	–

	2017 RMB'000	2016 RMB'000
At 1 January	**–**	–
Additions	**146,350**	–
Recognised in cost of sales	**(81,168)**	–
At 31 December	**65,182**	–

Films, drama and non-drama productions 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. Films, drama and non-drama productions in progress is stated at cost incurred to date, less any identified impairment losses.

18. LOAN RECEIVABLE

	2017 RMB'000	2016 RMB'000
Unsecured loan receivable	**6,522**	20,380

As at 31 December 2017, the unsecured loan receivable RMB6,522,000 (2016: RMB20,380,000) bore interest at a fixed rate of 5% per annum. The unsecured loan receivable was due within one year (2016: within one year).

During the year ended 31 December 2017, no impairment loss on loan receivable and interest income (2016: nil) was recognised in the consolidated statement of profit or loss and other comprehensive income.

19. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**–**	12,822
Finished goods	**–**	4,188
	–	17,010

20. TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**58,092**	64,826
Other receivables	**1,879**	432
Prepayments	**46,543**	36,630
Other receivables and prepayments	**48,422**	37,062
Trade and other receivables	**106,514**	101,888

20. TRADE AND OTHER RECEIVABLES *(continued)*

The Group generally allows an average credit period ranging from 30 days to 270 days from the receipt of goods or services by or invoices to its trade customers. At the end of the reporting period, the aged analysis of trade receivables, net of provision of impairment loss recognised presented based on the invoice dates, which approximated the respective revenue recognition dates, are as follows:

	2017 **RMB'000**	2016 RMB'000
Within 90 days	**40,424**	60,277
91 to 180 days	**–**	796
181 to 365 days	**17,668**	3,753
Total	**58,092**	64,826

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

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

	2017 **RMB'000**	2016 RMB'000
Neither past due nor impaired	**22,596**	37,263
Past due but not impaired:		
Within 90 days	**17,828**	24,749
91-180 days	**–**	–
Over 180 days	**17,668**	2,814
Total	**58,092**	64,826

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

Included in prepayment of approximately RMB5,666,000 (2016: RMB4,566,000) represented the prepaid artiste commission which had been impaired as at 31 December 2017.

20. TRADE AND OTHER RECEIVABLES *(continued)*

The movement in the allowance for impairment of other prepayment are set out below:

	2017 **RMB'000**	2016 RMB'000
1 January	**4,566**	–
Recognised during the year	**1,100**	4,566
31 December	**5,666**	4,566

21. FINANCIAL ASSET AT FVTPL

	2017 **RMB'000**	2016 RMB'000
Bond:		
Current	**25,074**	–

The bond is traded in active market and stated at fair value at the end of the reporting period. The fair value is determined by reference to market bid prices quoted by financial institutions.

22. BANK BALANCES AND CASH

Bank balances carried interest at market rates which ranged from 0.001% to 0.055% (2016: 0.001% to 0.055%) per annum. As at 31 December 2017, approximately RMB27,248,000 (2016: RMB167,545,000) of the bank deposits and bank balances and cash of the Group were denominated in HK$ and approximately RMB52,360,000 (2016: nil) of the bank deposits and bank balances and cash of the Group were denominated in USD which are the currency other than RMB while the remaining balances and short-term bank deposits were denominated in RMB.

23. TRADE AND OTHER PAYABLES

	2017 **RMB'000**	2016 RMB'000
Trade payables	**8,106**	7,895
Other payables	**15,437**	12,972
Other tax payables	**75**	2,838
Receipts in advance	**2,753**	2,065
Accrued payroll and staff welfare	**3,812**	1,154
	22,077	19,029
Trade and other payables	**30,183**	26,924

23. TRADE AND OTHER PAYABLES *(continued)*

Included in balance of accrued payroll and staff welfare, there is approximately RMB469,000 director's remuneration payable to Miss Lok Yee Ling Virginia as at 31 December 2017 (2016: nil).

Included in balance of other payable, there is approximately RMB5,611,000 amount due to a non-controlling interest shareholder as at 31 December 2017 (2016: nil).

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

	2017	2016
	RMB'000	RMB'000
Within 90 days	**7,946**	3,970
91 to 180 days	**160**	226
181 to 365 days	**–**	796
Over 365 days	**–**	2,903
Total	**8,106**	7,895

The average credit period 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.

24. AMOUNTS DUE TO RELATED COMPANIES

	2017	2016
	RMB'000	RMB'000
Amounts due to		
– Television Broadcasts Limited ("TVB") (Note a)	**2,295**	26,238
– Hengqiang (China) Company Limited ("Hengqiang") (Note b)	**2,403**	2,258

Notes:

(a) TVB held equity interest in the Company as at 31 December 2017; and Mr. Li Ruigang, the substantial controlling shareholder and director of the Company also held beneficial interests and directorship in this company.

(b) As at 31 December 2017, Mr. Ding Siqiang, a director of the Company, holds 80% equity interests (2016: 80%) of 恒強（國際）有限公司, which is the ultimate holding company of Hengqiang.

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

25. SECURED BANK BORROWINGS

	2017	2016
	RMB'000	RMB'000
Bank borrowings repayable within one year:		
Secured	**33,000**	121,800

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

	2017	2016
	RMB'000	RMB'000
Fixed-rate borrowings	**33,000**	121,800

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

	2017	2016
Fixed-rate borrowings	**4.39% to 5.00%**	4.39% to 5.00%

During the year ended 31 December 2017, the Group obtained new borrowings in the amount of approximately RMB33,000,000 (2016: RMB141,400,000). The proceeds were used to finance the general working capital of the Group.

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

	2017	2016
	RMB'000	RMB'000
Floating rate		
– expiring within one year	**15,362**	76,926
– expiring beyond one year	**–**	6,050
	15,362	82,976

As at 31 December 2017, banking facilities were secured by assets pledged as set out in Note 33:
– unlimited corporate guarantee provided by the subsidiary of the Company.

26. DEPOSIT PAID FOR POTENTIAL ACQUISITION

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

On 31 July 2017, the Company entered into a supplementary agreement and terminated the Proposed Acquisition. The vendor agreed to repay the full amount of the earnest money and has been fully repaid subsequent to the end of the reporting period.

27. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares	
			(Equivalent to)
		HK$'000	RMB'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January and 31 December 2017	10,000,000,000	100,000	
Issued and fully paid:			
At 1 January 2016	1,184,610,000	11,846	10,355
Issue of shares (Note)	235,000,000	2,350	1,967
At 31 December 2016 and 2017	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.

28. DEFERRED TAXATION

At the end of the reporting period, the Group has unused tax losses of approximately RMB160,698,000 (2016: RMB154,298,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The unused tax losses will expire after five years from the year of assessment to which they relate.

At the end of the reporting period, the Group had deductible temporary differences of approximately RMB 143,571,000 (2016: RMB143,571,000). No deferred tax has been recognised in respect of the deductible temporary differences due to the unpredictability of future profit streams.

29. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes secured bank borrowings disclosed in Note 25, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

30. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**299,298**	501,916
Financial asset at FVTPL	**25,074**	–
	324,372	501,916
Financial liabilities		
Liabilities measured at amortised cost	**65,053**	172,317

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Market risk

(i) Foreign currency risk

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

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

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

30. FINANCIAL INSTRUMENTS *(continued)*

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

***Market risk** (continued)*

(i) Foreign currency risk (continued)

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

	2017	2016
	RMB'000	RMB'000
HK$	**27,248**	167,545
USD	**52,360**	–

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in RMB against HK$ and USD for the year ended 31 December 2017. 5% (2016: 5%) is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates.

A negative number below indicates a decrease in profit after tax for the year where RMB strengthen 5% (2016: 5%) against the relevant currency. For a 5% (2016: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit after tax for the year.

	2017	2016
	RMB'000	RMB'000
Post-tax profit or loss	**3,980**	8,377

30. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivable and secured bank borrowings (see Notes 18, 22 and 25 for details). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

As at 31 December 2017 and 2016, the Group is also exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating interest rate.

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

Sensitivity analysis

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

For variable-rate short-term bank deposits and bank balances, if the interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss after tax and retained profits for the year ended 31 December 2017 would increase/decrease by approximately RMB1,442,000 (2016: RMB3,442,000).

30. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

The Group has concentration of credit risk as 31% (2016: 41%) and 44% (2016: 84%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is all in the PRC at 31 December 2016 and 31 December 2017.

At 31 December 2017, the Group also had concentration of credit risk in respect of loan receivable, of approximately RMB6,522,000, details of which are set out in Note 18. Before participating in the credit facility made available to an independent third party of the Group (the "Borrower"), management of the Group has assessed the credit quality of the Borrower. In order to minimise the credit risk, management of the Group has reviewed the recoverable amount of the loan receivable to ensure that adequate impairment losses are made for irrecoverable amount. The directors do not expect these counterparties would fail to meet their obligations and the credit risk is significantly reduced.

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

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

30. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk

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

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

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

	Total undiscounted cash flows due on demand or within one year RMB'000	**Carrying amount** RMB'000
At 31 December 2017		
Non-derivative financial liabilities		
Trade and other payables	**27,355**	**27,355**
Amount due to related companies	**4,698**	**4,698**
Bank borrowings	**33,396**	**33,000**
	65,449	**65,053**
At 31 December 2016		
Non-derivative financial liabilities		
Trade and other payables	22,021	22,021
Amount due to a related company	28,496	28,496
Bank borrowings	124,404	121,800
	174,921	172,317

30. FINANCIAL INSTRUMENTS *(continued)*

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

Other price risk

The Group is exposed to price risk through its financial asset at FVTPL. At the year ended 31 December 2017, the Group held investment in fixed-rate government bond. For the bond with fixed-rate coupons, they are more susceptible to fluctuation in interest rate. As interest rate move upwards, the value of the bonds will generally fall.

The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is increased to 5% in current year as a result of the volatile financial market.

If the prices of the respective equity instruments had been 5% (2016: nil) higher/lower:

– post-tax profit for the year ended 31 December 2017 would increase/decrease by RMB1,254,000 (2016: nil) as a result of financial asset at FVTPL.

(C) FAIR VALUE MEASUREMENTS RECOGNISED OF FINANCIAL INSTRUMENTS

The Group's financial asset at FVTPL is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial asset is determined

Financial asset	Fair value	Fair value hierarchy	Valuation technique and key input
Bond presented as financial assets designated as at FVTPL	HK$30,000,000 (equivalent to RMB25,074,000)	Level 1	Quoted bid prices in an active market

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings RMB'000	Amounts due to related companies RMB'000
As at 1 January 2017	**121,800**	**2,258**
Financing cash inflows	**154,700**	**145**
Financing cash outflows	**(160,478)**	**–**
Non-cash changes		
Interest accrued	**5,778**	**–**
Reclassification of assets held for sales	**(88,800)**	**–**
As at 31 December 2017	**33,000**	**2,403**

32. 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 which fall due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**1,130**	411
In the second to fifth year inclusive	**689**	582
	1,819	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.

33. 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:

	Notes	**2017** **RMB'000**	2016 RMB'000
Buildings held for own use	15	–	51,127
Prepaid lease payments	16	–	10,669
		–	61,796

34. RETIREMENT BENEFITS SCHEMES

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

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

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2017, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB3,234,000 (2016: RMB2,395,000).

35. RELATED PARTY TRANSACTIONS

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

(A) TRANSACTIONS

Name of company	Notes	Nature of transaction	**2017 RMB'000**	2016 RMB'000
Related company:				
TVB	i	Service fee paid	**–**	(25,081)
	i	Service income received	**929**	899
	i	Talent income received	**381**	–
	i	Licensing fee paid	**(400)**	–
	i	Rental expenses paid	**(267)**	–
	i	Talent fee paid	**(1,068)**	–
TVB Publications Limited	ii	Service fee paid	**(2,311)**	–
Shaw Brothers Pictures Limited	iii	Service fee paid	**(1,680)**	–
TVBI Company Limited	iv	Commission income received	**34**	–
Mr. Wong Cho Nam	v	Commission income received	**10,934**	–
Ms. Li Yanan Leanne	vi	Commission income received	**864**	–

35. RELATED PARTY TRANSACTIONS *(continued)*

(A) TRANSACTIONS *(continued)*

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 fees were paid to TVB Publications Limited. TVB Publications Limited, a subsidiary of TVB and its subsidiaries ("TVB Group").

(iii) The fee was paid to Shaw Brothers Pictures Limited, a subsidiary of TVB Group.

(iv) The fee was received from TVBI Company Limited, a subsidiary of TVB Group.

(v) Mr. Wong Cho Lam, who is a director and a non-controlling interest shareholder of Tailor Made Production Limited and indirectly holding 22.5% of the issued shares of Tailor Made Production Limited.

(vi) Ms. Li Yanan Leanne, who is the spouse of Mr. Wong Cho Lam is deemed to be interest in Tailor Made Production Limited in which Mr. Wong Cho Lam is interested.

(vii) During year ended 31 December 2017, the Group had sold a movie interest at cost of approximately RMB3,537,000 (equivalent to HK$4,000,000) to Shaw Brothers Pictures Limited, a subsidiary of TVB Group.

(viii) During year ended 31 December 2017, a movie interest of approximately RMB1,769,000 (equivalent to HK$2,000,000) was purchased at cost from FC Movie Company Limited, a subsidiary of TVB, to the Group and such amount has been settled.

(ix) The above transactions were conducted at terms determined on basis mutually agreed between the Group and the related parties.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	2017 **RMB'000**	2016 RMB'000
Short-term benefits	**1,840**	2,124
Post-employment benefits	**15**	35
	1,855	2,159

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.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**455**	1
Interests in subsidiaries	(a)	**5**	5
		460	6
Current assets			
Loan receivable		**6,522**	20,380
Trade and other receivables		**37,370**	46,810
Deposit paid for potential acquisition		**25,836**	25,836
Investments in films, drama and non-drama		**–**	26,865
Amounts due from subsidiaries		**126,391**	–
Dividend receivables		**154,903**	180,674
Financial asset at FVTPL		**25,074**	–
Bank balances and cash		**61,844**	164,780
		437,940	465,345
Current liabilities			
Other payables		**3,131**	3,011
Amount due to a related company	(b)	**2,403**	26,238
Amount due to a director	(b)	**–**	2,585
		5,534	31,834
Net current assets		**432,406**	433,511
Total assets less current liabilities		**432,866**	433,517
Capital and reserves			
Share capital		**12,322**	12,322
Reserves	(c)	**420,544**	421,195
Total equity		**432,866**	433,517

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

Notes:

(a) Interests in subsidiaries

	2017 RMB'000	2016 RMB'000
Unlisted investments, at cost	**5**	5
Amounts due from subsidiaries – current	**407,353**	407,353
	407,358	407,358
Less: Impairment loss recognised on amounts due from subsidiaries	**(407,353)**	(407,353)
	5	5
Analysed for reporting purposes as:		
Non-current asset	**5**	5
Current asset	**–**	–
	5	5

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

(c) Reserves

	Share premium RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2016	561,252	(356,010)	205,242
Profit and total comprehensive income for the year	–	26,384	26,384
Issue of shares	194,634	–	194,634
Transaction costs attributable to issue of shares	(5,065)	–	(5,065)
At 31 December 2016	750,821	(329,626)	421,195
At 1 January 2017	750,821	(329,626)	421,195
Loss and total comprehensive expense for the year	–	(651)	(651)
At 31 December 2017	750,821	(330,277)	420,544

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(A) GENERAL INFORMATION OF SUBSIDIARIES

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

Name of subsidiaries	Place/Country of incorporation or registration/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Equity interest and voting power attributable to the Group Direct		Indirect		Proportion ownership interest held by the Company		Principal activities
				2017 %	2016 %	**2017 %**	2016 %	**2017 %**	2016 %	
Fujian Meike Leisure Sports Goods Company Limited 福建美克休閑体育用品有限公司*	The PRC 12 February 1999	Ordinary	RMB100,000,000/ RMB100,000,000	**–**	–	**51%**	51%	**51%**	51%	Manufacturing and trading of sporting goods
Fujian Meisike Sports Goods Co., Limited 福建省美斯克体育用品有限公司*	The PRC 15 March 2007	Ordinary	HK$20,000,000/ HK$20,000,000	**–**	–	**100%**	100%	**100%**	100%	Manufacturing and trading of sporting goods
Shaw Brothers Pictures International Limited 邵氏兄弟國際影業有限公司	HK 23 March 2016	Ordinary	HK$10/HK$10	**–**	–	**100%**	100%	**100%**	100%	Investments in films, drama and non-drama
Tailor Made Production Limited 手工藝創作有限公司	HK 31 March 2016	Ordinary	HK$1,000/HK$1,000	**–**	–	**40%**	40%	**40%**	40%	Artiste and event management
Beijing Lanmei Tailor Made Production Limited 北京藍媒手工藝創作文化有限公司*	The PRC 11 May 2017	Ordinary	HK$10,000,000/ HK$10,000,000	**–**	–	**40%**	–	**40%**	–	Artiste and event management

* The English translation of the company name is for reference only. The official names of these companies are in Chinese.

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

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

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

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

Principal activities	Principal place of business	Number of subsidiaries 31 December 2017	31 December 2016
Investment holding	BVI	**3**	4
	Hong Kong	**3**	3
Inactive	The PRC	**1**	1
	BVI	**1**	1
	Hong Kong	**3**	5
		11	14

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

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

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

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2017	2016	**2017**	2016	**2017**	2016
	%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Tailor Made Production Limited	**60%**	60%	**884**	(3,351)	**(2,467)**	(3,351)
Amber Jungle Limited (Note)	**49%**	49%	**(220)**	(4,207)	**33,656**	33,876

Note:

Details of the financial information of Amber Jungle Limited are set out in Note 38.

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

Tailor Made Production Limited	**2017**	2016
	RMB'000	RMB'000
Current assets	**22,408**	7,640
Non-current assets	**12,008**	456
Current liabilities	**34,758**	13,680
Equity attributable to owners of Tailor Made Production Limited	**2,125**	(2,233)
Non-controlling interests	**(2,467)**	(3,351)

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

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

	2017 **RMB'000**	2016 RMB'000
Revenue	**54,242**	9,695
Expenses	**(52,767)**	(15,279)
Profit (loss) for the year	**1,475**	(5,584)
Profit (loss) and total comprehensive income (expense) attributable to owners of Tailor Made Production Limited	**591**	(2,233)
Profit (loss) and total comprehensive income (expense) attributable to the non-controlling interests	**884**	(3,351)
Profit (loss) and total comprehensive income (expense) for the year	**1,475**	(5,584)
Net cash inflow (outflow) from operating activities	**5,996**	(6,735)
Net cash outflow from investing activities	**(1,016)**	(524)
Net cash inflow from financing activities	**–**	8,958
Net cash inflow	**4,980**	1,699

38. DISCONTINUED OPERATION/DISPOSAL GROUP HELD FOR SALES

Pursuant to a sale and purchase agreement dated 26 July 2017, the Group agrees to dispose of the 51% equity interests in Disposal Group to a non-controlling interest shareholder for a total consideration of HK$41,000,000.

The assets and liabilities attributable to the business, which are expected to be sold within twelve months, have been classified as a disposal group held for sales and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the carrying amount of relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The results of the Disposal Group are presented in this consolidated financial statement as discontinued operation. The comparative information has been restated to present the results as discontinued operation to conform to the current period presentation.

The results of the discontinued business for the years were as follows:

	2017 **RMB'000**	2016 RMB'000
Revenue	**128,017**	93,778
Cost of sales	**(100,186)**	(74,828)
Gross profit	**27,831**	18,950
Other income	**2,246**	12,509
Selling and distribution expenses	**(1,819)**	(3,037)
Administrative expenses	**(23,032)**	(32,353)
Other operating expenses	**(1,558)**	(933)
Finance costs	**(4,114)**	(3,721)
Loss before tax	**(446)**	(8,585)
Income tax	**–**	–
Loss and total comprehensive expense for the year from discontinued operation	**(446)**	(8,585)
Loss and total comprehensive expense for the year from discontinued operation attributable to:		
– Owners of the Company	**(226)**	(4,378)
– Non-controlling interests	**(220)**	(4,207)
Loss and total comprehensive expense for the year from discontinued operation	**(446)**	(8,585)

38. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALES *(continued)*

Loss for the year from discontinued operation has been arrived at after charging (crediting):

	2017	2016
	RMB'000	RMB'000
Salaries and allowances	**17,314**	15,778
Contributions to retirement benefits scheme	**1,781**	1,449
Total staff costs (including directors' and chief executive's emoluments disclosed in Note 11)	**19,095**	17,227
Gain on disposal of property, plant and equipment	**(12)**	(7)
Government grants (Note)	**(39)**	(35)
Interest income	**(847)**	(1,323)
Reversal of impairment loss recognised in respect of trade receivable	**(664)**	(10,896)
Cost of inventories recognised as an expense	**97,186**	74,828
Impairment loss recognised in respect of property, plant and equipment	**1,412**	11,174
Impairment loss recognised in respect of trade receivables	**4,652**	19,373
Amortisation of prepaid lease payment	**297**	302
Depreciation of property, plant and equipment	**3,852**	3,563
Research and development cost	**1,558**	932

Note:

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

	2017	2016
	RMB'000	RMB'000
Net cash generated from operating activities	**41,886**	23,497
Net cash (used in) generated from investing activities	**(2,309)**	42,893
Net cash used in financing activities	**(4,441)**	(91,093)

38. DISCONTINUED OPERATION/DISPOSAL GROUP HELD FOR SALES *(continued)*

The major classes of assets and liabilities of the Disposal Group as at 31 December 2017, which have been presented separately in the consolidated statement of financial position, are as follows:

	2017
	RMB'000
Property, plant and equipment	**51,111**
Prepaid lease payments	**10,372**
Inventories	**13,069**
Trade and other receivables	**4,231**
Bank balances and cash	**108,487**
Total assets classified as held for sales	**187,270**
Trade and other payables	**29,783**
Secured bank borrowings	**88,800**
Total liabilities associated with assets classified as held for sale	**118,583**

39. EVENT AFTER REPORTING PERIOD

The following significant event took place subsequent to 31 December 2017.

Pursuant to a sale and purchase agreement dated 26 July 2017, the Group has agreed to dispose of 51% of the entire equity interests in Amber Jungle Limited and its subsidiaries to a non-controlling interest shareholder for a total consideration of HK$41,000,000. Details of the terms of the disposal transaction are set out in the announcements of the Company dated 26 July 2017 and 25 September 2017 and the circular of the Company dated 25 October 2017.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below:

RESULTS

(Year ended 31 December)

	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Re-presented)			
Revenue	**280,848**	187,633	147,735	163,029	230,521
– Continuing	**152,831**	93,855	N/A	N/A	N/A
– Discontinued	**128,017**	93,778	N/A	N/A	N/A
Gross profit	**63,073**	29,460	8,232	16,360	3,070
– Continuing	**35,242**	10,510	N/A	N/A	N/A
– Discontinued	**27,831**	18,950	N/A	N/A	N/A
Loss and total comprehensive expense for the year	**(6,561)**	(38,810)	(105,873)	(165,175)	(254,624)
– Continuing	**(6,115)**	(30,225)	N/A	N/A	N/A
– Discontinued	**(446)**	(8,585)	N/A	N/A	N/A

ASSETS AND LIABILITIES

(As at 31 December)

	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**625,316**	621,583	395,765	585,579	530,522
Total liabilities	**(187,514)**	(177,220)	(147,410)	(231,351)	(202,651)
Net assets	**446,802**	444,363	248,355	354,228	519,262

Note:

The comparative figures for the financial year ended 31 December 2013, 2014 and 2015 reflect the performance of the manufacturing and trading of sporting goods business of the Group in the People's Republic of China (the "PRC"), which was disposed in January 2018. The comparative figures for the financial year ended 31 December 2016 have been re-presented to conform to the current year's presentation.