Silverman Holdings Limited
銀 仕 來 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1616)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

SUMMARY

- Revenue was approximately RMB811.3 million, representing an increase of approximately 24.0% as compared to that of the previous year.
- Net profit was approximately RMB31.1 million, representing an increase of approximately 323.4% as compared to that of the previous year.
- Gross profit margin was approximately 20.2%, representing an increase of approximately 4.7 percentage points as compared to that of approximately 15.5% for the previous year.
- Gross profit increased by approximately RMB62.7 million as compared to that of the last year, or approximately 62.0%, to approximately RMB163.8 million.
- Profit attributable to the equity shareholders of the Company was approximately RMB24.5 million, representing an increase of approximately 234.3% as compared to that of the previous year.

DIVIDEND

- The Board does not recommend the payment of any final dividend for the year ended 31 December 2016.

The board of directors (the "**Board**") of Silverman Holdings Limited (the "**Company**") is pleased to announce the audited consolidated annual financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 (the "**Year**" or "**Period under Review**") together with the comparative figures in 2015 as set out below. The consolidated results are audited and have been reviewed by the audit committee ("**Audit Committee**") of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

(Expressed in Renminbi Yuan)

	Note	**2016** *RMB'000*	2015 *RMB'000*
Revenue	3	**811,324**	654,037
Cost of sales and services		**(647,571)**	(552,973)
Gross profit		**163,753**	101,064
Other net (loss)/gain	4	**(299)**	4,081
Distribution costs		**(16,641)**	(15,262)
Administrative expenses		**(86,055)**	(65,352)
Profit from operations		**60,758**	24,531
Finance income	5(a)	**1,131**	2,958
Finance costs	5(a)	**(26,799)**	(17,485)
Share of (loss)/profit of associates		**(836)**	35
Profit before taxation	5	**34,254**	10,039
Income tax	6	**(3,186)**	(2,702)
Profit and total comprehensive income for the year		**31,068**	7,337
Attributable to:			
Equity shareholders of the Company		**24,525**	7,337
Non-controlling interests		**6,543**	–
		31,068	7,337
Earnings per share			
Basic and diluted	7	**RMB0.0243**	RMB0.0091

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 14.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

(Expressed in Renminbi Yuan)

	Note	**2016**	2015
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**455,748**	488,066
Interests in leasehold land held for own use under operating leases		**64,281**	55,843
		520,029	543,909
Intangible assets		**3,476**	6,974
Goodwill		**499,471**	437,290
Interest in associates		**7,459**	7,293
Investments in equity securities		**1,100**	1,100
Other receivables	8	**2,647**	2,215
Deferred tax assets		**1,095**	296
		1,035,277	999,077
Current assets			
Inventories		**164,938**	147,905
Television drama series		**118,892**	50,690
Trade and other receivables	8	**228,712**	153,722
Pledged bank deposits		**1,626**	11,315
Cash and bank		**198,037**	113,331
		712,205	476,963
Current liabilities			
Trade and other payables	9	**227,313**	184,537
Promissory note	10	**–**	167,556
Bank loans	11	**195,000**	204,500
Obligations under finance leases		**3,850**	16,942
Current taxation		**14,221**	13,115
		440,384	586,650

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2016

(Expressed in Renminbi Yuan)

	Note	**2016**	2015
		RMB'000	*RMB'000*
Net current assets/(liabilities)		**271,821**	(109,687)
Total assets less current liabilities		**1,307,098**	889,390
Non-current liabilities			
Non-current borrowings	12	**206,104**	–
Obligations under finance leases		**–**	3,850
Deferred tax liabilities		**1,100**	–
		207,204	3,850
Net assets		**1,099,894**	885,540
Capital and reserves			
Share capital	13	**66,559**	60,785
Reserves		**1,023,956**	824,755
Total equity attributable to equity shareholders of the Company		**1,090,515**	885,540
Non-controlling interests		**9,379**	–
Total equity		**1,099,894**	885,540

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company								
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory Surplus reserve *RMB'000*	Other reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2015		50,577	74,447	(909)	56,493	119,359	301,467	601,434	–	601,434
Changes in equity for 2015:										
Profit and total comprehensive income for the year		–	–	–	–	–	7,337	7,337	–	7,337
Shares issuance		10,208	274,161	–	–	–	–	284,369	–	284,369
Dividend approved in respect of the previous year		–	–	–	–	–	(7,600)	(7,600)	–	(7,600)
Appropriations to statutory reserve		–	–	–	1,106	–	(1,106)	–	–	–
Balance at 31 December 2015 and 1 January 2016		**60,785**	**348,608**	**(909)**	**57,599**	**119,359**	**300,098**	**885,540**	**–**	**885,540**
Changes in equity for 2016:										
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**24,525**	**24,525**	**6,543**	**31,068**
Shares issuance	13	**5,774**	**174,676**	**–**	**–**	**–**	**–**	**180,450**	**–**	**180,450**
Acquisition of subsidiaries	15	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,836**	**2,836**
Appropriations to statutory reserve		**–**	**–**	**–**	**7,144**	**–**	**(7,144)**	**–**	**–**	**–**
Balance at 31 December 2016		**66,559**	**523,284**	**(909)**	**64,743**	**119,359**	**317,479**	**1,090,515**	**9,379**	**1,099,894**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

(Expressed in Renminbi Yuan)

	Note	**2016**	2015
		RMB'000	*RMB'000*
Operating activities			
Cash generated from operations		**91,394**	119,176
Income tax paid		**(970)**	–
Net cash generated from operating activities		**90,424**	119,176
Investing activities			
Acquisition of subsidiaries, net of cash acquired	15	**1,583**	2,714
Payment for the purchase of property, plant and equipment, leasehold land and intangible assets		**(42,455)**	(28,711)
Increase in fixed bank deposits		**(25,000)**	–
Proceeds from disposal of equipment		**283**	88
Proceeds from repayment of other advance to third parties		**1,643**	2,660
Net proceeds from purchases and sales of short-term investments		**1,304**	2,101
Payment for acquisition of interest in an associate		**(2,000)**	–
Loans to an associate		**(2,000)**	–
Interest received		**371**	2,000
Net cash used in investing activities		**(66,271)**	(19,148)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2016

(Expressed in Renminbi Yuan)

	Note	**2016**	2015
		RMB'000	*RMB'000*
Financing activities			
Capital element of finance lease rental paid		**(16,942)**	(20,391)
Proceeds from bank loans		**290,000**	420,857
Repayment of bank loans		**(289,500)**	(482,857)
Proceeds from shares issuance		**180,450**	–
Repayment of promissory note		**(237,327)**	–
Proceeds from issuance of convertible bonds		**172,471**	–
Repayment of advance from third parties		**(48,560)**	(2,926)
Interest element of finance lease rental paid		**(781)**	(2,524)
Other borrowing costs paid		**(16,426)**	(14,234)
Dividend paid to equity shareholders of the Company	14	**–**	(7,600)
Net cash generated from/(used in) financing activities		**33,385**	(109,675)
Net increase/(decrease) in cash and cash equivalents		**57,538**	(9,647)
Cash and cash equivalents at 1 January		**113,331**	122,356
Effect of foreign exchange rate change		**2,168**	622
Cash and cash equivalents at 31 December		**173,037**	113,331

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— derivative financial instruments.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

2 CHANGES IN ACCOUNTING POLICIES

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

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

3 REVENUE AND SEGMENT REPORT

(a) *Revenue*

The principal activities of the Group are manufacturing and sales of textile products and provision of related processing service, and the production and distribution of television drama series.

Revenue represents the sales value of goods supplied to customers, income from licensing of television drama series and related service income (net of sales tax, value-added tax and discounts). The amount of each significant category of revenue recognised is as follows:

	2016	*2015*
	RMB'000	RMB'000
Sales of textile products	**646,077**	604,421
Licensing of television drama series	**86,467**	7,492
Provision of textile products processing service	**44,936**	42,124
Provision of television drama series production, distribution and related services	**33,844**	–
	811,324	654,037

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenues for the year ended 31 December 2016 (2015: Nil).

Further details regarding the Group's principal activities are disclosed below.

(b) *Segment reporting*

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

- Textile: this segment manufactures and sells textile products, and provision of related processing service. Currently the Group's activities in this segment are carried out in the People's Republic of China ("the PRC").

- Media: this segment produces, distributes and licenses television drama series and provision of related services. Currently the Group's activities in this segment are carried out in the PRC.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

3 REVENUE AND SEGMENT REPORT (Continued)

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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

In addition to receiving segment information concerning adjusted EBT, management is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

	Textile		***Media***		***Total***	
	2016	*2015*	***2016***	*2015*	***2016***	*2015*
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**691,013**	646,545	**120,311**	7,492	**811,324**	654,037
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**691,013**	646,545	**120,311**	7,492	**811,324**	654,037
Reportable segment profit (adjusted EBT)	**261**	9,880	**42,031**	1,708	**42,292**	11,588
Interest income on bank deposits	**346**	2,000	**25**	–	**371**	2,000
Interest expenses	**10,680**	13,765	**1,987**	–	**12,667**	13,765
Depreciation and amortisation for the year	**58,796**	59,531	**4,154**	93	**62,950**	59,624
Net impairment of trade and other receivables	**957**	1,706	**778**	–	**1,735**	1,706
Impairment of associates	**–**	–	**998**	–	**998**	–
Reportable segment assets (including investment in associates)	**919,456**	944,260	**764,805**	528,951	**1,684,261**	1,473,211
Interest in associates	**–**	–	**7,459**	7,293	**7,459**	7,293
Additions to non-current segment assets during the year (excluding acquisitions of subsidiaries and associates)	**35,610**	26,832	**3,389**	–	**38,999**	26,832
Reportable segment liabilities	**322,717**	493,447	**135,794**	96,850	**458,511**	590,297

3 REVENUE AND SEGMENT REPORT (Continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2016	*2015*
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**811,324**	654,037
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**811,324**	654,037
Profit		
Reportable segment profit	**42,292**	11,588
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from the Group's external customers	**42,292**	11,588
Finance costs	**3,555**	–
Other net loss	**(6,408)**	–
Unallocated head office and corporate expenses (net)	**(5,185)**	(1,549)
Consolidated profit before taxation	**34,254**	10,039
Assets		
Reportable segment assets	**1,684,261**	1,473,211
Elimination of inter-segment receivables	**(1,100)**	–
	1,683,161	1,473,211
Unallocated head office and corporate assets	**64,321**	2,829
Consolidated total assets	**1,747,482**	1,476,040
Liabilities		
Reportable segment liabilities	**458,511**	590,297
Elimination of inter-segment payables	**(1,100)**	–
	457,411	590,297
Unallocated head office and corporate liabilities	**190,177**	203
Consolidated total liabilities	**647,588**	590,500

3 REVENUE AND SEGMENT REPORT (Continued)

(iii) Geographic information

The Group principally operates in the PRC and its major assets are located in the PRC. The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	2016	*2015*
	RMB'000	RMB'000
The PRC	**753,230**	598,236
Overseas	**58,094**	55,801
	811,324	654,037

4 OTHER NET (LOSS)/GAIN

	2016	*2015*
	RMB'000	RMB'000
Change in fair value of derivatives embedded in convertible bonds	**(6,408)**	–
Net gain on sale of raw materials and scrap materials	**3,902**	1,014
Net loss on disposal of equipment	**(3,253)**	(2,427)
Government grants	**2,126**	4,175
Net gain from short-term investments	**1,304**	2,101
Others	**2,030**	(782)
	(299)	4,081

5 PROFIT BEFORE TAXATION

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

(a) ***Finance income and finance costs***

	2016	*2015*
	RMB'000	RMB'000
Finance income		
Interest income on bank deposits	**371**	2,000
Foreign exchange gain arising on settlement or translation of foreign currency monetary items	**760**	958
	1,131	2,958
Finance costs		
Interest on bank loans and other borrowings	**18,964**	14,383
Less: interest capitalised into property, plant and equipment*	**–**	(618)
Interest expenses	**18,964**	13,765
Finance charges on obligations under finance leases	**781**	2,524
Foreign exchange loss arising on settlement or translation of foreign currency monetary items	**5,931**	512
Other finance charges	**1,123**	684
	26,799	17,485

* The borrowing costs have been capitalised at a rate of 5.24% per annum for the year ended 31 December 2015.

5 PROFIT BEFORE TAXATION (Continued)

(b) *Staff costs*

	2016	*2015*
	RMB'000	RMB'000
Salaries, wages and other benefits	**121,695**	116,484
Contributions to defined contribution retirement plan	**3,988**	2,682
	125,683	119,166

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "**Schemes**") organised by the relevant local authorities whereby the Group is required to make contributions to the Schemes at certain percentages of the eligible employees' salaries for the years ended 31 December 2016 and 2015. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

(c) *Other items*

	2016	*2015*
	RMB'000	RMB'000
Depreciation	**58,064**	58,304
Amortisation		
— leasehold land	**1,351**	1,215
— intangible assets	**3,535**	105
Operating lease charges: minimum lease payments for properties	**4,522**	30
Impairment losses on trade and other receivables	**2,075**	3,565
Reversal of impairment losses on other receivables	**(340)**	(1,859)
Impairment losses on interest in associates	**998**	–
Auditors' remuneration		
— audit services	**2,200**	1,700
— other services	**500**	–
Cost of inventories	**568,178**	523,834
Cost of television drama series	**47,601**	4,597

6 INCOME TAX

(a) *Taxation in the consolidated statements of profit or loss and other comprehensive income represents:*

	2016	*2015*
	RMB'000	RMB'000
Current tax		
Provision for the year	**2,076**	2,744
Deferred tax		
Origination and reversal of temporary differences	**1,110**	(42)
	3,186	2,702

6 INCOME TAX (Continued)

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

(ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the years ended 31 December 2016 and 2015, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

(iii) For the year ended 31 December 2016, the Group's PRC subsidiaries are subject to income tax rate of 25% (2015: 25%).

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

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

(b) ***Reconciliation between income tax expense and accounting profit at applicable tax rates:***

	2016	*2015*
	RMB'000	RMB'000
Profit before taxation	**34,254**	10,039
Notional tax on profit before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned	**14,281**	2,964
Tax effect of tax benefits	**(1,783)**	(2,029)
Tax effect of non-deductible expenses	**1,939**	1,767
Tax effect of unused tax losses not recognised	**2,658**	–
Statutory tax concession	**(15,305)**	–
PRC dividend withholding tax	**1,100**	–
Others	**296**	–
Income tax expense	**3,186**	2,702

7 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2016 is based on the profit attributable to equity shareholders of the Company of RMB24,525,000 (2015: RMB7,337,000) and the weighted average of 1,007,852,437 shares (2015: 803,455,225 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016	*2015*
Issued ordinary shares at 1 January	**957,644,656**	800,000,000
Effect of shares issuance (Note 13)	**50,207,781**	3,455,225
Weighted average number of ordinary shares at 31 December	**1,007,852,437**	803,455,225

For the year ended 31 December 2016, no adjustment is made in relation to the Company's outstanding convertible bonds as their assumed conversion would increase the earnings per share.

The Company has no dilutive potential ordinary shares outstanding for the year ended 31 December 2015. Therefore, there was no difference between basic and diluted earnings.

8 TRADE AND OTHER RECEIVABLES

		2016	*2015*
	Note	**RMB'000**	RMB'000
Trade debtors and bills receivable		**128,932**	106,722
Less: allowance for doubtful debts	(b)	**(8,819)**	(7,320)
	(a) (c)	**120,113**	99,402
Deposits, prepayments and other receivables	(d)	**100,218**	52,846
Amount due from an associate		**9,028**	3,689
Loans to an associate		**2,000**	–
		231,359	155,937
Other receivables expected to be collected or recognised as expense after more than one year		**(2,647)**	(2,215)
Trade and other receivables expected to be recovered or recognised as expense within one year		**228,712**	153,722

8 TRADE AND OTHER RECEIVABLES (Continued)

(a) *Ageing analysis*

Included in trade and other receivables are trade debtors and bills receivables (net of allowance for doubtful debts) with the following ageing analysis as at the end of the reporting period.

	2016	*2015*
	RMB'000	RMB'000
Current	**109,350**	90,105
Less than 3 months past due	**1,032**	185
3 to 6 months past due	**5,906**	729
6 to 12 months past due	**3,825**	8,383
Amounts past due	**10,763**	9,297
	120,113	99,402

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

(b) *Impairment of trade debtors and bills receivables*

Impairment losses in respect of trade debtors and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivables directly.

The movement in the allowance of doubtful debts during the year is as follows:

	2016	*2015*
	RMB'000	RMB'000
At 1 January	**(7,320)**	(3,755)
Impairment loss recognised	**(1,700)**	(3,565)
Uncollectible amounts written off	**201**	–
At 31 December	**(8,819)**	(7,320)

As at 31 December 2016, the Group's trade debtors and bill receivables of RMB8,617,000 (2015: RMB7,320,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the whole amount of the receivables is expected to be unrecoverable. Consequently, specific allowances for doubtful debts of RMB8,617,000 (2015: RMB7,320,000) was recognised.

8 TRADE AND OTHER RECEIVABLES (Continued)

(c) *Trade debtors and bills receivables that are not impaired*

The ageing analysis of trade debtors and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2016	*2015*
	RMB'000	RMB'000
Neither past due nor impaired	**109,350**	90,105
Less than 3 months past due	**795**	185
3 to 6 months past due	**–**	729
6 to 12 months past due	**76**	8,383
	110,221	99,402

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) *Deposits, prepayments and other receivables*

	2016	*2015*
	RMB'000	RMB'000
Prepayments relating to purchases of raw materials	**40,450**	22,429
Prepayments and advance relating to television drama series	**37,053**	640
Prepayments relating to purchases of property, plant and equipment	**758**	2,153
Deferred expenses	**4,502**	2,893
Value-added tax recoverable	**9,195**	16,145
Advance to third parties (note)	**1,522**	3,165
Other receivables	**6,738**	5,354
Other prepayments	**–**	67
	100,218	52,846

Note: The advance to third parties were unsecured, interest-free and had no fixed repayment terms.

9 TRADE AND OTHER PAYABLES

	Note	***2016*** **RMB'000**	*2015* RMB'000
Trade creditors and bills payable	(a)	**100,575**	43,349
Advances received		**24,231**	26,463
Other creditors and accrued charges	(b)	**102,507**	114,725
		227,313	184,537

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(a) ***Ageing analysis***

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	2016 **RMB'000**	*2015* RMB'000
Due within 3 months or on demand	**89,405**	39,168
Due after 3 months but within 6 months	**7,227**	2,263
Due after 6 months but within 12 months	**3,943**	1,918
	100,575	43,349

(b) ***Other creditors and accrued charges***

	2016 **RMB'000**	*2015* RMB'000
Accrued charges	**16,071**	8,989
Tax payable other than income tax	**24,332**	13,895
Payables relating to purchases of property, plant and equipment	**10,899**	15,750
Payables relating to television drama series	**16,554**	3,931
Advance from third parties (note)	**15,172**	63,732
Amount due to an associate	**5,479**	–
Other payables	**14,000**	8,428
	102,507	114,725

Note: The advance from third parties is unsecured, interest-free and had no fixed repayment terms or repayable within one year.

10 PROMISSORY NOTE

Forming part of the consideration to acquire Solid Will Ltd. and its subsidiaries, the Company issued a promissory note of HKD200,000,000 on 24 December 2015. The promissory note was transferable, interest-free, unsecured and redeemable at the face value on or before 23 December 2016. The Company redeemed the promissory note on 8 June 2016.

Forming the consideration to acquire Star Will Investments Ltd. and its subsidiaries, the Company issued a promissory note of HKD78,340,000 on 30 September 2016. The promissory note was transferable, interest-free, unsecured and redeemable at the face value on or before 30 October 2016. The Company redeemed the promissory note on 27 October 2016.

11 BANK LOANS

As at 31 December 2016, the bank loans were repayable as follows:

	2016	*2015*
	RMB'000	RMB'000
Within 1 year	**195,000**	204,500
After 1 year but within 2 years	**10,000**	–
	205,000	204,500

As at 31 December 2016, the bank loans were secured as follows:

		2016	*2015*
	Note	**RMB'000**	RMB'000
Bank loans			
— secured	(a)	**80,000**	60,000
— unsecured	(b)	**125,000**	144,500
		205,000	204,500

(a) At 31 December 2016, the banking facilities of the Group were secured by machinery and equipment with an aggregate carrying value of RMB28,536,000 (2015: RMB13,270,000) and were guaranteed by certain wholly-owned subsidiary of the Group. Such banking facilities amounted to RMB140,000,000 (2015: RMB140,000,000). The facilities were utilised to the extent of RMB80,000,000 (2015: RMB60,000,000).

(b) Included in unsecured bank loans at 31 December 2016, RMB80,000,000 (2015: RMB144,500,000) of the loans was guaranteed by certain wholly-owned subsidiary of the Group and RMB20,000,000 (2015: RMB nil) of the loans was guaranteed by the Company.

(c) As at 31 December 2016 and as at 31 December 2015, there is no financial covenant related to the banking facilities.

12 NON-CURRENT BORROWINGS

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

	2016	*2015*
	RMB'000	RMB'000
Convertible bonds (note 12(b)(i))		
— liability component	**161,451**	–
— derivative component	**25,941**	–
Unsecured bank loans (note 11)	**10,000**	–
Loans from a non-controlling shareholder (note 12(b)(ii))	**8,712**	–
	206,104	–

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

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

(i) Convertible bonds

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

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

- Conversion rights are exercisable, wholly or partially, at any time up to maturity, or extended maturity, at the bondholders' option.

- If a bondholder exercises its conversion rights, the Company is required to deliver ordinary shares at the conversion price of HKD1.21 per share (subject to adjustments).

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

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

(ii) Loans from a non-controlling shareholder

The loans from a non-controlling shareholder of a subsidiary are unsecured, interest-free and repayable in 2018.

13 SHARE CAPITAL

Authorised and issued share capital are as follows:

	2016		*2015*	
	No. of shares	**RMB'000**	No. of shares	RMB'000
Authorised:				
Ordinary shares of USD0.01 each	**10,000,000,000**	**632,110**	10,000,000,000	632,110
Ordinary shares, issued and fully paid:				
At 1 January	**957,644,656**	**60,785**	800,000,000	50,577
Shares issuance (note)	**88,105,000**	**5,774**	157,644,656	10,208
At 31 December	**1,045,749,656**	**66,559**	957,644,656	60,785

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

Forming the consideration to acquire Solid Will Ltd., the Company allotted and issued 157,644,656 ordinary shares of USD0.01 each on 24 December 2015. The ordinary shares issued were recognised at the fair value at the date of acquisition of approximately HKD2.16 per share.

14 DIVIDENDS

(a) ***Dividends payable to equity shareholders of the Company attributable to the year:***

	2016	*2015*
	RMB'000	RMB'000
Interim dividend declared and paid of RMB nil per ordinary share (2015: RMB nil)	**–**	–
Final dividend proposed after the end of the reporting period of RMB nil per ordinary share (2015: RMB nil)	**–**	–
	–	–

(b) ***Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:***

	2016	*2015*
	RMB'000	RMB'000
Final dividends in respect of the previous financial year, approved and paid during the year, of RMB nil per ordinary share (2015: RMB0.0095)	**–**	7,600

15 ACQUISITION OF SUBSIDIARIES

On 30 September 2016, the Group obtained control of Star Will Investments Ltd. ("**Star Will**"), which is an investment holding company and its subsidiaries are principally engaged in production and distribution of film and television drama series in the PRC, by acquiring 65% of its interest. Taking control of Star Will will enable the Group to strengthen the business development in the media industry in the PRC and broaden the sources of the Group's revenue. During the year ended 31 December 2016, Star Will contributed revenue of RMB34,618,000 and profit of RMB18,693,000 to the Group's results. If the acquisition had occurred on 1 January 2016, management estimates that consolidated revenue would have been RMB813,047,000 and consolidated profit for the year would have been RMB28,655,000. In determining these amounts, management have assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2016.

(a) *Consideration transferred*

The consideration for the acquisition is HKD78,340,000 (equivalent to RMB67,448,000), which was satisfied by a promissory note with a face value of HKD78,340,000. No contingent consideration was agreed between the Group and the selling shareholder.

(b) *Acquisition-related costs*

The Group incurred acquisition-related costs of RMB277,000 on legal fees and due diligent costs. These costs have been included in "administrative expenses".

(c) *Identifiable assets acquired and liabilities assumed*

	RMB'000
Property, plant and equipment	**109**
Deferred tax assets	**809**
Television drama series	**20,585**
Trade and other receivables	**13,405**
Cash and cash equivalents	**1,583**
Trade and other payables	**(19,776)**
Loans from a non-controlling shareholder	**(8,612)**
Total identifiable net assets acquired	**8,103**

(d) *Measurement of fair value*

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

(i) Television drama series

Market comparison technique and cost technique: The fair value is determined based on the estimated selling price, if available, in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the television drama series. In the situation that the selling price is uncertain, the replacement cost would be considered.

15 ACQUISITION OF SUBSIDIARIES (Continued)

(ii) Trade and other receivables

The trade and other receivables comprise gross contractual amounts due of RMB13,405,000 which was expected to be collectible at the acquisition date.

(e) ***Goodwill***

Goodwill arising from the acquisition has been recognised as follows.

	RMB'000
Consideration transferred	**67,448**
Non-controlling interest	**2,836**
Fair value of identifiable net assets	**(8,103)**
Goodwill	**62,181**

The goodwill is attributable mainly to the skills and the technical talent of the work force of Star Will and its subsidiaries. None of the goodwill recognised is expected to be deductible for tax purposes.

(f) ***Analysis of cash flow on acquisition***

	RMB'000
Cash consideration	**–**
Cash and cash equivalents acquired	**1,583**
Net cash inflow	**1,583**

16 COMMITMENTS

(a) ***Capital commitments outstanding at 31 December 2016 and 2015 not provided for in the consolidated financial statements were as follows:***

	2016	*2015*
	RMB'000	RMB'000
Contracted for		
— Purchase of property, plant and equipment	**4,410**	2,744
— Acquiring services relating to production of television drama series	**3,363**	1,000
	7,773	3,744

16 COMMITMENTS (Continued)

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

	2016	*2015*
	RMB'000	RMB'000
Within 1 year	**2,300**	136
After 1 year and within 5 years	**–**	92
	2,300	228

The Group is the lessee in respect of a number of properties held under operating leases. These leases typically run for an initial period of 3 to 20 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

17 MATERIAL RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions during the years ended 31 December 2016 and 2015 as follows. Some of these related party transactions constituted connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules. However these transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

(a) ***Key management personnel remuneration***

	2016	*2015*
	RMB'000	RMB'000
Short-term employee benefits	**3,783**	1,731
Post-employment benefits	**109**	28
	3,892	1,759

Total remuneration is disclosed in "staff costs" (see note 5(b)).

(b) ***Financing arrangement***

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

		2016	*2015*
	Note	**RMB'000**	RMB'000
Amount due from an associate	(i)(ii)	**9,028**	3,689
Amount due to an associate	(iii)	**5,479**	–
Loans to an associate	(i)(iv)	**2,000**	–

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(i) No provisions for bad or doubtful debts have been made in respect of these amounts due from an associate.

(ii) The amount due from an associate is unsecured, interest-free and has no fixed term of repayment. The amount is included in "trade and other receivables".

(iii) The amount due to an associate is unsecured, interest-free and has no fixed term of repayment. The amount is included in "trade and other payables".

(iv) The loans to an associate is unsecured, interest-free and repayable in 2017. The amount is included in "trade and other receivables".

(c) ***Material transactions with related parties***

During the year of 2016 and 2015, the Group has entered into the following material transactions with related parties:

	Note	***2016*** **RMB'000**	*2015* RMB'000
Television drama series distribution income from an associate	(i)	**7,145**	–

(i) The directors of the Group are of the opinion that these transactions were conducted on normal commercial terms and in the ordinary course of business of the Group.

18 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Company issued convertible bonds in the aggregate principal amount of HKD300,000,000 on 28 February 2017. The convertible bonds bear a nominal interest rate of 5% per annum and are with a maturity date on the second anniversary of the issue date. The initial convertible price of the convertible bonds is HKD1.21 per share (subject to adjustments) and, assuming full conversion, the convertible bonds will be converted into 247,933,884 shares of the Company. Further details for the issuance of convertible bonds are set out in the Company's announcements dated 22 December 2016, 30 December 2016 and 28 February 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS OVERVIEW

According to the National Bureau of Statistics, China's gross domestic product, or GDP, reached RMB74,412.7 billion in 2016, representing a 6.7% growth from last year based on comparable prices. The slow growth was accompanied by the upgrading of the nation's economic structure. In 2016, the added-value contributed by the tertiary industry, or the service sector, accounted for 51.6% in total GDP, up 1.4 percentage points from last year, or 11.8 percentage points above secondary industry;and consumption expenditure contributed 64.6% of the GDP growth. Both the service sector and consumption played a pivotal role in expediting GDP growth. Whilst traditional industries were posed with problems including destocking, structural adjustment and environmental cost pressure in general, the textile industry also experienced a period of adjustment where investment in fixed assets grew at a single-digit percentage, a deep dive from 30.0% in the past few years. The plunge came mostly from the decrease in the growth pace of chemical fiber and cotton textile, the latter of which captured growth mostly from industrial transfer. The room for development of the industry was quite confined in general.

As regards foreign trade and exports, China's import and export trade was largely subject to global economic development, as the nation is the top player in global textile trading. The worldwide slackening of economic recovery, which is not likely to alleviate in the near future, will however be great hurdle to the development of China's import and export trade. On the other hand, under economic globalization, labour cost and production efficiency are among key drivers for industrial transfer. As a labour-intensive sector, the textile industry witnessed synchronous transfer from China to the neighboring Vietnam, Malaysia, India etc., in view of China's falling demographic dividend and diminishing cost advantage supported by the abundant supply of cheap labour.

In the midst of a multitude of adverse factors, China's aggregate export of textile and apparel in 2016 totalled USD262.5 billion, or a 7.5% decrease year-on-year, in which the export of textile products accounted for USD105.0 billion, or a 4.1% decrease year-on-year. This manifested the lackluster international demand for textile products and the severity of the general conditions, when the global economy was still undergoing a period of deep adjustment since the international financial crisis.

Against the backdrop of the weak growth and uncertain development prospects of the Group's textile segment, the film and television industry came as a readily-strong performer in 2016 with its resistance to economic cycle. On the one hand, the film and television industry reported steady growth in general. According to Wind Statistics, in 2016, China's national total box office increased by 3.7% year-on-year to reach RMB45.7 billion, and production records of national television series grew by 5,561 episodes from year 2015 to reach 48,638 episodes in 2016, both testifying the generally positive trend of the development of film and television dramas. On the other hand, the industry experienced intensive structural adjustment. Internet dramas and premium IP dramas came on stage to endorse the change and upgrading of the film, television and media industry. Since internet dramas were rolled out in 2014, they have become hot topics on the internet and attracted wide concerns and recognitions. In merely three years, the internet drama market already showed exponential growth in 2016. According to the statistics from entgroup.cn (藝恩), "the total traffic growth was on a promising track, with a total of 38.0 billion total broadcast traffic achieved by the Top 50 internet dramas in 2016, or an increase of 78.0% from 2015."

With its penetrating insights into the market of internet dramas, the management pursued the development vision of stocking up on internet drama series and capturing a greater share of the internet drama market by completing the acquisition of 65% equity interest in Beijing Starrise Pictures Co., Ltd. (formerly known as Beijing Yingsheng Cultural Investments Co., Ltd.) ("**Starrise Pictures**") in 2016. Starrise Pictures is a company principally engaged in the film and television businesses, specializing in content production, project investment and consultation, operation of copyrights, film promotion, entertainment marketing, artist management and other businesses in the entire industry chain of the creative film and television industry. Since its establishment, Starrise Pictures has been involved in the investment and production of the following drama series: a television drama series "The Unforgettable Years (念念不忘的歲月)", a youth internet drama "Goddess From the Future (燃血女神)", IP movies "Li Lei and Han Meimei (李雷與韓梅梅)", "Care and Fear (提著心吊著膽)", "Goodbye to Time (再見時光)" and "Love @ You (愛@你)". The substantial amount of internet dramas and inventory of IP dramas of Starrise Pictures offered support and momentum for the Group's rapid development in a year of internet drama boom.

The Group's wholly-owned subsidiary, Beijing Huasheng Taitong Media Investment Company Limited ("**Huasheng Media**"), also achieved remarkable results in the investment and production of its traditional television drama series:

The large-scale anti-Japanese war epic drama, "The Great Eastern Battlefield (東方戰場)" was awarded the "1st Script-Writing Award (首屆劇本創作獎)", the "First-Class Award for Excellent Play and Script Supporting Project (優秀劇目暨劇本一類扶持大獎)" and the "Top Ten Television Series Award (十佳優秀電視劇大獎)". The series premiered simultaneously on Jiangsu Satellite TV and Hubei Satellite TV on 23 June 2016, with the average ratings on Jiangsu Satellite TV at 0.762 as of the end of the airing, ranking among the top three in terms of average ratings in the nation. Throughout the websites of the video media, as many as 1.3 billion hits were recorded. In particular, the video streaming on Tencent's webpage alone saw more than 1 billion hits, setting a new record for epic television series based on revolution history. Meanwhile, in the 11th Top Ten National Television Award Ceremony (第十一屆全國電視製片業十佳表彰大會) held in Beijing on 19 February 2017, the television dramas titled "The Great Eastern Battlefield (《東方戰場》)" has won the several awards, including "Top Ten Television Series Award (十佳優秀電視劇)". Besides, He Wei (何煒), an experienced television media professional from Hubei Television (湖北廣播電視臺) who was the producer of the two television drama series has won the "Top Ten National Television Producer Award (全國十佳電視劇製片人)". MengFei (蒙飛), the production supervisor, and Zhang Jianzhi (張建志), the lighting designer, have each won the "Top Ten National Television Creative Award (全國十佳電視劇主創)".

The large-scale television series, "Yichang Defense (宜昌保衛戰)", premiered during prime time on CCTV-8 on 19 September 2016. According to the statistics of the largest state-owned media in the PRC, the national average ratings on the internet since airing stood at 1.7%, with the average share of audience at 5.81%. During the 12-day period from the start to the end of the broadcasting, the average ratings of the series came first among programs in the same time slot in the nation every day. In particular, the average ratings on the day the last episode was aired reached 2.11%, with the share of audience at 6.67%, achieving the excellent result of average ratings exceeding 2. As of the end of the broadcasting on 30 September 2016, the series ranked third in terms of average ratings among the prime-time dramas on all channels of CCTV for the year. In addition, the series also won the "Best Audience Choice Award 2016 (二零一六年度觀眾最喜愛獎)" in the Domestic TV Series Ceremony (國劇頒獎典禮) "The Star of City (城市之星)" on 25 February 2017, which proved again the high popular and fine quality of the series. Apart from the Best Audience Choice Award, MengFanyao (孟凡耀), the producer of the series, and Tong Lei (童蕾), the heroine of the series, won the "Best Producer of 2016 (二零一六年度最佳製片人)" and the "Best Actress (最佳女主角)" respectively. It was honored that the series won three awards in total.

In 2016, Huasheng Media completed the shooting for two television drama series, "Qiao's Grand Courtyard 2 (喬家大院2)" and "March in River City (江城三月)", which are currently going through post-production and are due to air in 2017.

Currently, the business structure of the Group's film and television segment consists of both Huasheng Media and Starrise Pictures, each of the two companies having its own focus. By expanding the Group's film, television and media business at multiple levels, Huasheng Media and Starrise Pictures will enlarge the audience of film and television, thereby diversifying and boosting the Group's income, which is in the interests of our Group and shareholders as a whole.

During the Period Under Review, the Group's main business revenue was approximately RMB811.3 million, representing an increase of approximately 24.0% as compared with approximately RMB654.0 million in the previous year. The profit of the Company was approximately RMB31.1 million, representing an increase of approximately 323.4% as compared with approximately RMB7.3 million in the previous year. The increase of the revenue and net profit were mainly due to the expansion of the Group's film and television business since 2015.

Profit attributable to equity shareholders of the Company was approximately RMB24.5 million, representing an increase of approximately 234.3% as compared with approximately RMB7.3 million in the previous year. The increase in profit was mainly due to the increase of the profit attributed from the Group's film and television segment. During the Period Under Review, the film and television business contributed revenue of RMB120.3 million and profit of RMB42.0 million to the Group.

FINANCIAL REVIEW

Turnover, gross profit and gross profit margin

The table below is an analysis of the Group's turnover, gross profit and gross profit margin of its major business categories for the years ended 31 December 2016 and 2015:

	For the year ended 31 December					
	2016			2015		
	Turnover *RMB'000*	**Gross profit** *RMB'000*	**Gross profit margin** *%*	Turnover *RMB'000*	Gross profit *RMB'000*	Gross profit margin *%*
Textile business	**691,013**	**99,483**	**14.4%**	646,545	98,246	15.2%
Film and Television business	**120,311**	**64,270**	**53.4%**	7,492	2,818	37.6%
Total	**811,324**	**163,753**	**20.2%**	654,037	101,064	15.5%

The gross profit margin of the Group increased by approximately 4.7 percentage points, from approximately 15.5% for the year 2015 to approximately 20.2% for the year 2016. The increase of overall gross profit margin was mainly due to the increase in film and television's gross profit. Due to the increase of the cost of the Group's textile business, the gross profit margin of textile business declined by 0.8 percentage points over 2015; while the gross profit margin of film and television business increased by 15.8 percentage points over 2015, benefiting from the rapid growth of the national film and television industry. In addition, the Group developed new and special products according to the market demand, and further optimized the product mix and implement flexible and effective marketing strategy in order to maximize the Group's gross profit margin.

Distribution costs

For the year ended 31 December 2016, total distribution costs of the Group increased by approximately RMB1.4 million to approximately RMB16.6 million as compared to that of the corresponding period in previous year. Such increase was mainly due to the increase in staff cost, marketing expenses and transportation expenses of the Group during the Period under Review when compared to that of the corresponding period in previous year.

Administrative expenses

For the year ended 31 December 2016, the administrative expenses of the Group was approximately RMB86.1 million, representing an increase of approximately 31.7% when compared to that of approximately RMB65.4 million in 2015. The increase was mainly due to the expenditures related to the acquisition of media business, the forming of new companies, the increase of staff cost and rental expense for our film and television business.

Net finance costs

During the year ended 31 December 2016, the net finance cost of the Group were approximately RMB25.7 million, representing an increase of approximately RMB11.1 million as compared to approximately RMB14.5 million in 2015, which was mainly due to the increase in finance cost and the decrease of finance income. For the year ended 31 December 2016, the finance cost of the Group was approximately RMB26.8 million, representing an increase of approximately RMB9.3 million as compared to approximately RMB17.5 million in 2015. It was mainly due to the increase in interest expenses relating to the convertible bonds and the increase of foreign exchange loss. The finance income was approximately RMB1.1 million, representing a decrease of approximately RMB1.8 million as compared to approximately RMB3.0 million in 2015, which was mainly due to the decrease in interest income of the Group's bank deposits in 2016.

Taxation

Taxation of the Group was increased by approximately 18.0% from approximately RMB2.7 million in 2015 to approximately RMB3.2 million during the Period under Review. This was mainly due to the increase of taxable income.

Profit attributable to the equity shareholders of the Company

For the year ended 31 December 2016, the profit attributable to the equity shareholders of the Company was approximately RMB24.5 million, representing an increase of approximately 234.3%, from approximately RMB7.3 million in 2015. The increase was mainly due to the increase of the revenue resulting from the Group's film and television drama series business. Based on the aforementioned factors, the gross profit margin for the year ended 31 December 2016 increased to approximately 20.2%, or by 4.7 percentage points, from that of approximately 15.5% in 2015. As a consequence, the gross profit increased by approximately 62.0%, or approximately RMB62.7 million, to approximately RMB163.8 million for the year ended 31 December 2016 from approximately RMB101.1 million in the previous year.

Liquidity and financial resources

As at 31 December 2016, cash and cash equivalents of the Group were approximately RMB173.0 million, representing an increase of approximately 52.7% from approximately RMB113.3 million as at 31 December 2015. This was mainly due to the increase of bank deposits of the Company as a result of the issuance of the convertible bonds.

For the year ended 31 December 2016, the Group's net cash generated from operating activities was approximately RMB90.4 million (2015: approximately RMB119.2 million), net cash used in investing activities was approximately RMB66.3 million (2015: approximately RMB19.1 million) and net cash generated from financing activities was approximately RMB33.4 million (2015: net cash used in financing activities was approximately RMB109.7 million). In view of the period, cash and cash equivalents of the Group increased by RMB57.5 million in 2016 (2015: decreased by approximately RMB9.6 million). The Board believes that the Group will maintain a sound and stable financial position, and will maintain sufficient liquidity and financial resources for the Group's business need.

The Group's customers, who have set up long-term business relationship with us and have well settlement history and sound reputation, have been waived the requirement for deposit payment and granted a credit period typically ranging from 30 to 180 days pursuant to the payment terms of the purchase or processing orders. The length of credit period depends on various factors such as financial strength, size of the business and settlement history of those customers. For the year ended 31 December 2016, the average trade receivables (including bills receivable) turnover period of the Group was approximately 49 days, approximately flat with 49 days for the year ended 31 December 2015. The Group's granting of a steady credit period to customers led to a fair turnover period of the average trade receivables.

For the year ended 31 December 2016, inventory turnover period of the Group increased to 105 days from 103 days in the previous year. This was mainly because of the increase of inventory level of finished goods resulted from the prolonging of delivery cycle by customers of the Group. In particular, the finished goods increased to approximately RMB59.8 million as at 31 December 2016 from approximately RMB49.3 million as at 31 December 2015 (the inventory of the textile business).

As at 31 December 2016, the Group's borrowings of approximately RMB185.0 million (2015: approximately RMB189.5 million) bore fixed interest at rates at 4.4% (2015: 4.4% to 5.1%) per annum. As at 31 December 2016, the Group's borrowings (including obligations under finance lease) of approximately RMB23.9 million (2015: approximately RMB35.8 million) bore floating interest at rates at 5.5% to 6.1% (2015: 4.9% to 6.2%). The Group's debt of the convertible bonds is approximately RMB161.5 million, with annual interest rate of 18.9% (2015: Nil).

Capital structure

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

For the year ended 31 December 2016, the debts of the Group were mainly borrowings, promissory note, convertible bonds and obligations under finance leases with a total amount of approximately RMB405.0 million (2015: approximately RMB392.8 million). As at 31 December 2016, cash and bank was approximately RMB198.0 million (2015: approximately RMB113.3 million). As at 31 December 2016, the gearing ratio was approximately 18.8% (2015: approximately 31.6%), which was calculated by dividing total debt (i.e. interest-free borrowings, promissory note, convertible bonds and obligations under finance lease, after deducting cash and bank) by total equity.

As at 31 December 2016, the debts of the Group that will become due within a year were approximately RMB198.9 million (2015: RMB389.0 million).

As at 31 December 2016, the Group's cash and bank was mainly held in Renminbi, US dollars, HK dollars, of which, approximately RMB132.1 million (2015: RMB99.4 million) or 66.7% (2015: 87.7%) of the cash and bank was held in Renminbi.

Furthermore, the Group had finance lease liabilities of approximately RMB3.9 million as at 31 December 2016 (31 December 2015: 20.8 million) bearing floating interest rates ranging from 5.5% to 6.1% (2015: 5.9% to 6.2%). The carrying amounts of bank loans were denominated in RMB. For the year ended 31 December 2016, no financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Capital commitments

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

Employee and remuneration policy

As at 31 December 2016, the Group had a total of approximately 2,577 employees (2015: 2,677), the decrease in the number of staff as compared to that of the previous year was mainly because the Group improves efficiency by downsizing staffs according to the operating conditions.

For the year ended 31 December 2016, labour costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB125.7 million (2015: approximately RMB119.2 million). The increase of labour costs was mainly because the increase of staff headcount for film and television business.

The Group continues to provide training to staff members to improve their operation skill. Meanwhile, the Group enhanced the work efficiency and average income of the staff through post-consolidation, process reorganization and improvement of working and living environment of the staff. The remuneration of the employees of the Group was subject to their working performance, experience and the industry practices. The management of the Group will also periodically review the remuneration policy and details.

Exposure to foreign exchange risk

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

The Group has not used any foreign currency derivatives to hedge against the exposure in foreign exchange.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2016 (2015: Nil).

Charges on assets

Save as the pledged bank deposits as presented in the consolidated statement of financial position, the Group pledged its machinery and equipment with net book value of approximately RMB28.5 million (2015: RMB13.3 million) to banks as securities for the bank loans as at 31 December 2016. Besides, machinery and equipment with net book value of approximately RMB35.6 million (2015: RMB40.1 million) were held under finance lease as at 31 December 2016.

Significant investments held

The Group did not hold any significant investment in equity interest in any company during the year ended 31 December 2016.

Future plans for material investments and capital assets

The Group did not have any plans for material investments and capital assets.

Acquisitions and disposals of subsidiaries and affiliated companies

On 30 September 2016, the Group obtained control of Star Will Investments Ltd. ("**Star Will**"), which is an investment holding company and its subsidiaries are principally engaged in production and distribution of film and television drama series in the PRC, by acquiring 65% of its interest. Taking control of Star Will will enable the Group to strengthen the business development in the media industry in the PRC and broaden the sources of the Group's revenue. During the year ended 31 December 2016, Star Will contributed revenue of RMB34.6 million and profit of RMB18.7 million to the Group's results. The consideration for the acquisition is HKD78,340,000 (equivalent to RMB67,448,000), which was satisfied by a promissory note with a face value of HKD78,340,000. No contingent consideration was agreed between the Group and the selling shareholder.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Company issued convertible bonds in the aggregate principal amount of HKD300,000,000 on 28 February 2017. The convertible bonds bear a nominal interest rate of 5% per annum and are with a maturity date on the second anniversary of the issue date. The initial convertible price of the convertible bonds in HKD1.21 per share (subject to adjustments) and assuming full conversion, the convertible bonds will be converted into 247,933,884 shares of the Company. Further details of the convertible bonds issue are set out in the Company's announcements dated 22 December 2016, 30 December 2016 and 28 February 2017.

OUTLOOK

2017 is important for implementing the 13th "Five-year Plan" and deepening structural reform of supply side; under the guidance of the keynote of "making progress while maintaining stability", China's economy will focus on advancing the structural reform of supply side and continuing to tackle industrial overcapacity of traditional industries such as the coal, steel, and textile industries by eliminating ineffective and unnecessary supply and creating effective supply fit for new demand. China's economy will continue its steady growth. However, with the new U.S. administration being characterized as one of trade protectionism and mercantilism, and with uncertainty in Federal interest rate hikes, the impact of increasing costs of US dollar financing is emerging. Along with the shift in the previous balance of low interest rate, low increase and high debt, the depreciation of RMB, and cross border flow of capital, there is strong downward pressure on China's economy. 2017 shall be a year of reforms and risks.

On 28 September 2016, the Ministry of Industry and Information Technology released the Textile Industry Development Plan (2016–2020), which determined a focus on advancing the reform of supply side and emphasize on the strategy of increasing variety, improving quality and inventing brand (the "**strategy**"), strengthening the innovation capability of enterprises, creating new competitive advantages, development direction towards high and mid-end industry, improving the innovation capability of the industry, implementing the "strategy", propelling intelligent manufacturing of textile, and speeding up the process of green development. The direction, tasks and measures specified by the "Plan" accords with the strategic development direction adhered to by textile sector of the Group. Despite the fact that the textile industry was affected by global economy and industry downturn, the Group will further explore and improve its intrinsic value of the traditional industry, enhance innovation, intensify cooperation with Chinese and foreign universities and research and development institutions, and continuously improve the innovation ability of products of the Group in 2017. In the meantime, the Group will deepen precision management, reduce operation cost, increase revenue, and cut expenditure in order to lower and absorb the negative influence of downward pressure on the operation of the Group and maintain long-term and sustainable development.

Against the background of sluggish macro economy, the culture industry, as a pillar industry in national economy in 2020, is impacted by culture industrial policy and reform policy of supply side, and film and television drama industry will demonstrate distinct development trends. First, statistics of State Administration of Radio, Film and Television of People's Republic of China shows that Class A television drama certificates were only granted to 132 companies in 2016 nearly equal to the number of 2015. It may be expected that television drama production companies truly capable of producing television drama will be widely favored by the market in the future. Secondly, the number of television dramas, of which the playback counts in new media surpasses 10 billion, increased to 10 in 2016, from just 1 in 2015. Forecasting based on this trend, the playback volume of television drama in new media will grow drastically. Thirdly, while traditional television drama is prospering, internet plays also demonstrate great development potential. Internet drama will grow from quantity orientation to quality orientation after the primitive explosion in 2014 and 2015 and mature transition in 2016. With the normalized development of internet drama, it will gradually take up an excellence-oriented route and discard cheap copy drama. Meanwhile, normalized development of internet drama will attract more television and film stars to engage in Internet drama.

The Company signed a convertible bond subscription agreement of HKD300 million with Dragon Capital Entertainment Fund One LP on 21 December 2016. The fund has been available on 28 February 2017. When the fund is fully ensured, the Company will increase investment in the film and television drama business and expand our market share based on the fund to strengthen competitive edges and ensure steady growth of performance.

The Board believes that there is broad development space for film and television drama, having paid close attention to and studied the film media industry. Acute perception and full use of IP resources will help develop our film media sector as the industry increases its focus on content. The Company will utilize our excellent ability of producing and distributing television drama and diverse distribution channels of television drama of Huasheng Media through platform of the subsidiary, accelerate the launch of "Quality drama" and television drama targeted at different audiences and raise release, distribution and turnover rate of television drama in 2017. Moreover, under the market environment with Internet drama rapidly developing, the Company will intensify strategic cooperation with IP incubating enterprises and release IP and SIP drama through the platform of Starrise Pictures. Our film and television business has accelerated industrial consolidation and merger and acquisition in recent years due to the influence of "One Drama to be broadcast on two Satellites" policy of the industry. Therefore, the Company will engage in and expand our film and television drama business, and select potential film and television companies as acquisition targets to expand market share and improve the overall business performance of the Group.

At present, the Group's preparatory plans and filming work are undergoing smoothly. Starrise Pictures joined the Group to open up new performance growth channel for the media film and television segment, which is also conducive to structure optimization of the media film and television segment of the Group.

The production schedule of film and television series of the Group is as follows:

No.	Name	Subject matter	Planned boot time	Remark
1	Wudang Yijian	Martial arts drama	18 February 2017	Shooting started
2	Those Voices	Science fiction network drama	The first half of 2017	The script is completed
3	When Love Fades Away	Science fiction romantic network drama	The first half of 2017	The script is completed
4	Boyfriend Upgrade	Science fiction romantic network drama	The first half of 2017	The script is completed
5	The Echoes Of Xibaipo	Crime suspense	The first half of 2017	The script is completed
6	The Heavenly Emperor	Mythical fantasy network drama	The first half of 2017	The script is completed
7	One Vessel, One Town, One Master	Legendary drama	The second half of 2017	The script is completed
8	Detectives for Shiling	Science fiction suspense	The second half of 2017	The script is completed
9	Ma Beier	The Republic of China drama	The second half of 2017	The script is completed
10	Wudang	The Republic of China drama	2018	The script is completed
11	The New Big Head Son and The Little Head Father	Situation comedy	The first half of 2017	Script writing is undergoing
12	Jigong Mountain 1938	Spy suspense	The second half of 2017	Script writing is undergoing
13	The Myth of Wudang	Mythical fantasy drama	The second half of 2017	Script writing is undergoing
14	The Financial Empire	Historical drama	2017/2018	Script writing is undergoing
15	Qiao's Grand Courtyard 3	Historical story drama	2018	Script writing is undergoing
16	The Most Adorable Guard	Costume Kung Fu Comedy	The second half of 2017	Script writing is undergoing
17	The Otaka Girl, Detective Guixiang	Detective suspense network drama	The second half of 2017	Script writing is undergoing

In conclusion, 2017 will be a year for the Group to innovate, develop and make breakthroughs. Under the leadership of the management, all the employees will unite together, proactively engaging and developing the business of textile section, endeavor to reduce energy consumption, improve operation performance and maintain the competitiveness of textile industry. At the same time, the Group will fully take the advantages of film and television business, expedite to publish "Quality Drama" and films and television series targeted at different audiences by virtue of the large amount of mature films, television plays and IP reserved resources owned while paying attention to their producing quality and audience viewing status. The Group will also pay close attention to the development trends of the film and television media industry. For instance, since the audience of internet film and television dramas has formed their payment habits, the Group will pay attention to improving the operation and development ability of head IP. While putting emphasis on research and development competencies, the Group will closely grasp the trends of the times and find the guiding direction for its diversified development.

The Group's management will be bound to fulfill our duties, continuously improving our profitability and core competitiveness so as to advance the steady development of our businesses and improve returns to our shareholders.

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

For the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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

For the year ended to 31 December 2016, the Company had adopted and complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except slightly deviating from compliance with Code Provisions A.1.8 during the period starting from 1 January 2016 to 11 January 2016 as more particularly described below.

Code Provision A.1.8 stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. During the period starting from 1 January 2016 to 11 January 2016, the Company did not arrange such insurance coverage for the Directors as the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks. Since 12 January 2016, the Company has arranged appropriate insurance cover in respect of legal action against its directors and senior officers. Consequently, the Company has complied with Code Provisions A.1.8 since 12 January 2016.

MODEL CODE FOR SECURITIES TRANSACTION BY THE DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters (including the audited consolidated financial statements of the Company for the Year) in conjunction with the Company's external auditors. The Audit Committee was satisfied that the audited consolidated financial statements of the Company were prepared in accordance with applicable accounting standards and presented fairly the financial position and results of the Group for the Year.

FINAL DIVIDEND

The year of 2017 is essential for the development of the Company. The traditional textile business needs to overcome the unfavorable conditions due to the downtrend of industry development, and make positive efforts to deal with. At the same time, the media business in its pivotal development and consolidation also need further investment. Therefore, the Board doesn't recommend the payment of a final dividend for the year ended 31 December 2016. At this point, the Board is committed to make the best efforts to seek the development of the Company in future years, in order to get a better return for the shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13 June 2017 to Friday, 16 June 2017, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 12 June 2017.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 16 June 2017. Shareholders should refer to details regarding the AGM in the circular of the Company to be dispatched in April 2017 and the notice of the AGM and form of proxy accompanying thereto.

SCOPE OF WORK OF THE AUDITORS

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

DISCLOSURE OF INFORMATION

This annual results announcement and the annual report of the Company will be published on the websites of both the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.ysltex.com) and shall be dispatched to the shareholders timely and properly.

By order of the Board
Silverman Holdings Limited
Liu Dong
Chairman

Shandong, the PRC
29 March 2017

As at the date of this announcement, the Board comprises 8 Directors, namely Mr. LIU Dong, Mr. LIU Zongjun, Ms. CHEN Chen, Mr. HE Han and Mr. TAN Bin as executive Directors; Mr. WANG Liangliang, Mr. LAM Kai Yeung and Mr. GAO Gordon Xia as independent non-executive Directors.

This announcement is prepared in both Chinese and English. In the event of inconsistency, the English text of the announcement shall prevail over the Chinese text.