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)

ANNOUNCEMENT OF THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "Board") of directors (the "Directors") of Shaw Brothers Holdings Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 (the "Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

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

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**2,051**	(20,337)
Non-controlling interests		**(3,673)**	–
		(1,622)	(20,337)
Earnings (loss) per share			
Basic and diluted *(RMB cent)*	*9*	**0.14**	(1.60)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

In the current interim period, the Group has applied, for the first time, the following amendments ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 January 2017.

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

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

4. REVENUE

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

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

5. SEGMENT INFORMATION

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

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

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

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

Segment revenues and results

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

For the six months ended 30 June 2017

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

For the six months ended 30 June 2016

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

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

Segment assets and liabilities

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

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

Information about major customers

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

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

[1] *Revenue from sales of sporting goods*

[2] *Revenue from investments in films and production income*

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

6. FINANCE COSTS

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

7. INCOME TAX

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

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

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

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

8. LOSS FOR THE PERIOD

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

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

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

9. EARNINGS (LOSS) PER SHARE

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

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

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

10. DIVIDENDS

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

11. TRADE AND OTHER RECEIVABLES

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

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

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

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:

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

12. TRADE AND OTHER PAYABLES

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

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

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

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

13. OPERATING LEASES

The Group as lessee

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

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

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

14. PLEDGE OF ASSETS

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

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

15. RELATED PARTY TRANSACTIONS

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

(a) Transactions

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

Notes:

(i) The fees were (paid to) received from Television Broadcasts Limited ("TVB"). TVB had equity interest in the Company; and Mr. Li Ruigang, the chairman, director and substantial shareholder of the Company also held interest and directorship in TVB.

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

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

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

(b) Compensation of key management personnel

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

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

Business Review

Entertainment

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

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

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

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

Film Business

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

Drama and Non-Drama Project

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

Artiste and Event Management

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

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

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

Sportswear

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

Financial Review

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

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

Revenue

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

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

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

Cost of Sales

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

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Income Tax

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

Inventories and Provision for Inventories

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

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

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

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

Trade and Other Receivables and Provision for Impairment Loss

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

Trade receivables, net of provision of impairment loss, decreased by approximately 17.8% from approximately RMB64,826,000 as at 31 December 2016 to approximately 53,306,000 as at 30 June 2017.

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

Details of trade and other receivables as at 30 June 2017 are set out in Note 11 to the consolidated financial statements in this interim results announcement.

Liquidity and Financial Resources

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

Pledge of Assets

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

Capital Structure

As at 30 June 2017, the Group's equity attributable to owners of the Company increased by approximately 0.5% to approximately RMB415,890,000 (31 December 2016: approximately RMB413,839,000). Total assets amounted to approximately RMB667,357,000 (31 December 2016: approximately RMB621,583,000) which included current assets amounting to approximately RMB603,694,000 (31 December 2016: approximately RMB555,853,000). Current liabilities were approximately RMB224,616,000 (31 December 2016: approximately RMB177,220,000). Net assets value per share attributable to the owners of the Company as at 30 June 2017 was approximately RMB31.2 cents (31 December 2016: approximately RMB31.3 cents). Current ratio was approximately 2.69 as at 30 June 2017 (31 December 2016: approximately 3.14).

Capital Commitments and Contingent Liabilities

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

Subsequent Event

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

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

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

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

Profit (Loss) Attributable to Shareholders and Net Profit (Loss) Margin

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

Foreign Exchange Risk

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

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

Gearing Ratio

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

Interest-Bearing Bank Borrowings

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

Human Resources

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

OTHER INFORMATION

INTERIM DIVIDEND

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

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

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

CORPORATE GOVERNANCE

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

Code Provision E.1.2

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as the code of conduct regarding directors' securities transactions. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE

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

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

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND THE INTERIM REPORT

This announcement is published on the website of the Stock Exchange and the website of the Company at www.shawbrotherspictures.com. The interim report of the Group for the six months ended 30 June 2017 will be despatched to shareholders at the appropriate time and will be available on the Company's website at www.shawbrotherspictures.com and the website of the Stock Exchange in due course.

By Order of the Board
Shaw Brothers Holdings Limited
Li Ruigang
Chairman

Hong Kong, 21 August 2017

As at the date of this announcement, the Board of the Company comprises:

Chairman and Non-executive Director
Mr. Li Ruigang

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

Non-executive Director
Mr. Hui To Thomas

Independent Non-executive Directors
Mr. Pang Hong
Mr. Poon Kwok Hing Albert
Miss Szeto Wai Ling Virginia

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