

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



Annual
Report
2018





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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Ruigang

EXECUTIVE DIRECTORS

Mr. Ding Siqiang

Ms. Ding Xueleng

Miss Lok Yee Ling Virginia

NON-EXECUTIVE DIRECTOR

Mr. Hui To Thomas

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pang Hong

Mr. Poon Kwok Hing Albert

Miss Szeto Wai Ling Virginia

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Miss Lok Yee Ling Virginia (Committee Chairman)

Mr. Hui To Thomas

AUDIT COMMITTEE

Mr. Poon Kwok Hing Albert (Committee Chairman)

Mr. Pang Hong

Miss Szeto Wai Ling Virginia

NOMINATION COMMITTEE

Mr. Pang Hong (Committee Chairman)

Mr. Poon Kwok Hing Albert

Miss Szeto Wai Ling Virginia

REMUNERATION COMMITTEE

Miss Szeto Wai Ling Virginia (Committee Chairman)

Mr. Pang Hong

Mr. Poon Kwok Hing Albert

COMPANY SECRETARY

Miss Chan Yin Yi Annie

AUTHORISED REPRESENTATIVES

Miss Lok Yee Ling Virginia

Miss Chan Yin Yi Annie

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F., Leighton Centre

77 Leighton Road

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Hong Kong

STOCK CODE

00953

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited

Royal Bank House, 3rd Floor

24 Shedden Road, P.O. Box 1586

Grand Cayman KY1-1110

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISER TO CAYMAN ISLANDS

Conyers Dill & Pearman, Cayman

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited

DBS Bank (Hong Kong) Limited

WEBSITE

www.shawbrotherspictures.com

Dear Shareholders,

On behalf of the Board of Directors of Shaw Brothers Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I would like to share some exciting news with you: the Group has recorded a net profit of approximately RMB8.29 million for the year ended 31 December 2018 (the "Year"), a significant turnaround from a net loss of approximately RMB6.56 million in the 2017 fiscal year. The profit was mainly attributable to an increase in revenue from the entertainment business of the Group, as we continued to invest in high-quality movies and drama series as well as expand our artiste and event management business during the Year.

BUSINESS REVIEW

In 2018, the Group produced two drama series that generated satisfactory viewership and cemented our collaboration with leading Chinese online video service companies. "Flying Tiger" 《飛虎之潛行極戰》, a cop thriller starring veteran actor Michael Miu and heartthrobs Bosco Wong and Ron Ng, was released in the second quarter. Co-produced with YOUKU (優酷), one of China's top online video streaming platforms, the series achieved a click-to-play rate of more than 4.6 billion and received favourable responses from viewers. Another drama series, "Guardian Angel" 《守護神之保險調查》, was aired on popular Chinese Internet video platform iQiyi (愛奇藝) and attained good ratings as well. Both series were also released on the authorised platforms of Television Broadcasts Limited ("TVB"). "Flying Tiger", in particular, achieved over 6.5 million video-on-demand streaming views when it premiered on myTV SUPER, one of TVB's over-the-top (OTT) platforms, even before its telecast on Jade, the free-to-air Chinese-language channel. This underlies the potential of quality content and such broadcasting arrangements, providing a confidence boost to our future productions. Riding on the success of these drama series, the Group began production on a "Flying Tiger" sequel titled 《飛虎之雷霆極戰》 in the fourth quarter and it is expected to be released in the second half of 2019.

In terms of movie production, the Group invested in two movies during the Year. Musical comedy "I Love You, You're Perfect, Now Change!" 《你咪理·我愛你!》 premiered in Hong Kong cinemas just ahead of Chinese New Year and was warmly received by moviegoers during the holidays. Adapted from the popular Off-Broadway musical bearing the same title but with a Hong Kong twist, the film represented comedian Wong Cho-lam's first attempt at directing and featured an ensemble cast of more than 50 actors and singers including Eric Tsang, Teresa Mo and Ivana Wong. A second movie, "Line Walker 2" 《使徒行者之諜影行動》, is wrapping up production and is expected to be released across Mainland theatres in the second half of 2019. The first installment, "Line Walker", generated a cumulative box office record of over RMB600 million, so we have high hopes that the sequel will perform well upon its release.

Artiste and event management, another major revenue generator of the Group, also recorded encouraging growth during the Year. Over 50 artistes are now under the Group's management, more than doubling the artiste portfolio compared to 2017. Having a growing pool of both famous and new talents will help fuel the Group's continuous expansion in film and drama productions, and cement its core strengths. It will also allow the Group to explore new artiste alliances and opportunities with other partners in order to further diversify its business mix and create synergy among its different business segments.

CHAIRMAN'S STATEMENT

OUTLOOK AND PROSPECT

Although Mainland China's total box office revenue recorded a 9% year-on-year growth to over RMB60 billion in 2018, ongoing Sino-US trade disputes might dent China's domestic consumption and affect the performance of the entertainment market this year. To brace for such market uncertainties, the Group will focus on producing more high-quality movies and dramas as well as expand its artiste and event management business.

Looking ahead, the Group is keen to seize business opportunities arising from the rapid growth of China's online video market, which has been setting new revenue records in recent years. The fast-expanding viewership will drive up demand for high-quality online content including movies, dramas and non-dramas. This bodes well for our core business, as we can draw on the production expertise of our management team members – many of whom have decades of industry experience – and an every developing talent pool of the Group and other artistes resources from our alliances with Mainland business partners. During the Year, the Group already successfully released two drama series on leading Mainland online video platforms, YOUKU (優酷) and iQiyi (愛奇藝). I am confident that the Group can continue to capitalise on its core strengths to broaden production capabilities, collaborate more closely with our existing and potential partners, and build a stronger market position in the coming year.

APPRECIATION

I would like to express my sincere gratitude to our valuable shareholders, business partners and customers for their trust and unwavering support. I would also like to thank the Directors, management team and all the staff members of the Group for their tremendous contributions. With such a dedicated team, I am certain that the Group can rise through the challenges and create even greater value for our shareholders in 2019.

Shaw Brothers Holdings Limited

Li Ruigang

Chairman

Hong Kong, 19 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Although Mainland China's total box office revenue recorded satisfactory growth in 2018, ongoing Sino-US trade disputes might dent China's domestic consumption and affect the performance of the entertainment market this year. The Group is monitoring the situation and bracing itself for any headwinds. It is, however, optimistic about the outlook of the country's fast-expanding online video market, which has been recording double-digit annual growth and setting new revenue records every year. By June 2018, the market already exceeded 600 million users with a penetration rate of 76%. Such a meteoric rise in viewership has been driving up demand for quality online content. Given the Group's strengths in both TV and movie productions as well as its expanding pool of artistes, it is well positioned to seize business opportunities arising from the market's development.

BUSINESS REVIEW

The Group's revenue rose from approximately RMB152,831,000 in 2017 to approximately RMB217,997,000 in 2018, representing an increase of 43% (about RMB65,166,000). The following table sets out the total revenue of the Group for the Year as well as for 2017.

| | Year ended 31 December | | | 2017 | | |
|---------|--|---|-------------------|--|---|-------------------|
| | 2018 | | | 2017 | | |
| | Investments in films, drama and non-drama productions RMB'000 | Artiste and event management RMB'000 | Others RMB'000 | Investments in films, drama and non-drama productions RMB'000 | Artiste and event management RMB'000 | Others RMB'000 |
| Revenue | 151,548 | 58,714 | 7,735 | 106,444 | 45,986 | 401 |

FILM, DRAMA AND NON-DRAMA PRODUCTIONS

The Group invested in two movies during the Year. Moviegoers reacted positively to "I Love You, You're Perfect, Now Change!" 《你咪理·我愛你!》, a musical comedy adapted from the popular Off-Broadway show bearing the same title and released ahead of Chinese New Year. Comedian Wong Cho-lam directed and acted in the film, a collection of love stories featuring performances by an ensemble cast of more than 50 actors and singers led by Eric Tsang, Teresa Mo and Ivana Wong. A second movie, "Line Walker 2" 《使徒行者之諜影行動》, is wrapping up production and is expected to be released in the second half of 2019. The film is a sequel to the 2016 first installment, which was a spin-off from the popular TVB drama series "Line Walker" and generated a cumulative box office record of over RMB600 million. The sequel is expected to perform well upon its release.

MANAGEMENT DISCUSSION AND ANALYSIS

At the same time, the Group also co-produced two drama series with leading Chinese online video companies, iQiyi (愛奇藝) and YOUKU (優酷), building a strong foundation for further collaboration. The first drama series “Flying Tiger” 《飛虎之潛行極戰》 – headlined by popular actors Michael Miu, Bosco Wong, Ron Ng, and Eddie Cheung – was released on YOUKU (優酷) in the second quarter. Viewers responded favourably to the police thriller, which attained a satisfactory click-to-play rate of more than 4.6 billion. The Group worked with iQiyi (愛奇藝) to produce another drama series, “Guardian Angel” 《守護神之保險調查》, which was aired in the fourth quarter. Also starring Bosco Wong, Michael Miu and Annie Lau, the series portrayed the lives of a group of insurance claim investigators and how they unveiled the truth behind many tricky cases. In addition, both dramas were broadcast on TVB’s authorised platforms, including Jade channel and myTV SUPER, where they both achieved good ratings. The Group will continue to make use of such broadcasting arrangements to maximise the distribution and revenue of its future productions. On the back of the success of “Flying Tiger”, production of a sequel titled 《飛虎之雷霆極戰》 already began in the fourth quarter and is expected to be released in the second half of 2019. In terms of non-dramas, the Group produced “了不起的獸人族” in cooperation with its non-wholly owned subsidiary, Tailor Made Production Limited (“Tailor Made”), 北京魚子醬文化傳播有限公司 and 上海小獵豹文化傳媒有限公司 during the Year. Similar to “Guardian Angel”, “了不起的獸人族” was released on the iQiyi (愛奇藝) platform.

ARTISTE AND EVENT MANAGEMENT

The artiste and event management business segment recorded a strong performance during the Year. It contributed approximately RMB58,714,000 to the Group’s revenue, representing a growth of 28% from previous year. The Company now manages over 50 artistes, more than doubling the artiste portfolio in 2017. The Group aims to continue to strengthen its artiste management business to bring in even greater revenue in coming years. This will also help expand its talent pool of both famous and new artistes to support more TV and film productions going forward.

Currently, the Company has an agreement with CMC Holdings Limited (now known as CMC Inc.) and Huaren Wenhua Limited Liability Company (collectively “CMC”) to collaborate in both artiste management and film investments. The agreement, which is in effect until the end of 2019, allows the Company and CMC to mutually share resources and experiences in areas of film development, production, and distribution as well as artiste management in China and globally. In addition to this, the Group will continue to explore new artiste alliances with other potential partners to further diversify the business and generate synergy among its different business segments.

To explore potential opportunities arising from China’s booming online video market, one of the Group’s new initiatives is to set up a subscription-based web portal offering online classes taught by veteran actors and directors on acting, filmmaking and TV production. Preliminary work on the project has begun and more details will be unveiled later. The Group is keen to tap on the industry experience and production expertise of its management team as well as its every-expanding talent pool to explore different business ventures and build a stronger market position.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHERS

The Group also recorded approximately RMB7,735,000 of revenue from its trading business.

DISPOSAL OF SUBSIDIARIES

During the Year, the Group completed disposals of several subsidiaries to streamline its structure and focus on the core entertainment business to generate more attractive returns. Details of the disposal of remaining 51% interest in the sports manufacturing and trading business of Amber Jungle Limited were outlined in the Company's announcements dated 26 July 2017 and 25 September 2017 as well as a circular dated 25 October 2017.

FINANCIAL REVIEW

The Group's consolidated revenue reached approximately RMB217,997,000 during the Year, representing an increase of 43% from 2017 (approximately RMB152,831,000). The revenue growth was mainly attributable to a higher return from investments in films and TV productions, which rose by 42% to approximately RMB151,548,000 from approximately RMB106,444,000 in 2017, as well as income from artiste and event management, which recorded a 28% increase to approximately RMB58,714,000 (2017: approximately RMB45,986,000). These income streams, together with contributions from interests income, substantially helped the Group turn a profit of approximately RMB8,290,000 for the Year, as compared to a loss of approximately RMB6,561,000 in 2017. Profit per share amounted to approximately RMB0.885 cents for the Year (2017: loss per share approximately RMB0.509 cents).

REVENUE

During the Year, investments in films, drama and non-drama productions reported revenue of approximately RMB151,548,000, an increase of 42% from 2017 (approximately RMB106,444,000), and gross profit of approximately RMB40,071,000, an increase of 223% from 2017 (approximately RMB12,404,000). Artiste and event management reported revenue and gross profit of approximately RMB58,714,000 and RMB26,832,000 respectively for the Year (2017: approximately RMB45,986,000 and RMB22,648,000 respectively), which increased by approximately 28% and 18% respectively from last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment and geographical information in 2018

| | The PRC RMB'000 | Hong Kong RMB'000 | Total RMB'000 |
|---|--------------------|----------------------|------------------|
| Revenue | | | |
| Investments in films, drama and non-drama productions | 135,336 | 16,212 | 151,548 |
| Artiste and event management | 30,436 | 28,278 | 58,714 |
| Others | 7,735 | – | 7,735 |
| | <hr/> | <hr/> | <hr/> |
| | 173,507 | 44,490 | 217,997 |
| | <hr/> | <hr/> | <hr/> |
| Gross profit | | | |
| Investments in films, drama and non-drama productions | 31,225 | 8,846 | 40,071 |
| Artiste and event management | 12,820 | 14,012 | 26,832 |
| Others | 1,330 | – | 1,330 |
| | <hr/> | <hr/> | <hr/> |
| | 45,375 | 22,858 | 68,233 |
| | <hr/> | <hr/> | <hr/> |

COST OF SALES

Cost of sales increased by 27% to approximately RMB149,764,000 for the Year (2017: approximately RMB117,589,000). Cost of sales from investments in films, drama and non-drama productions amounted to approximately RMB111,477,000, while the direct costs incurred for artiste and event management were approximately RMB31,882,000.

SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

Selling and marketing expenses for the Year rose to approximately RMB12,009,000 (2017: approximately RMB3,241,000), mainly due to increased marketing and promotional activities. Administrative expenses for the Year increased to approximately RMB46,844,000 (2017: approximately RMB36,918,000), primarily as a result of increased staff costs and development and pre-production expenses.

INCOME TAX

The Group's income tax expenses were approximately RMB2,146,000 for the Year compared to RMB1,050,000 in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE AND OTHER RECEIVABLES AND PROVISION FOR IMPAIRMENT LOSS

Trade receivables from third parties for the Year increased by 4% to approximately RMB60,638,000 (2017: approximately RMB58,092,000). The Group set aside a provision for impairment of approximately RMB3,011,000 for the Year (2017: approximately RMB1,100,000).

Details of trade and other receivables as of 31 December 2018 are set out in Note 18 to the consolidated financial statements of this report.

CONTRACT LIABILITIES

Contract liabilities for the Year amounted to approximately RMB10,849,000 mainly from advance billing from the customers for artiste and event management services. Details of the contract liabilities as at 31 December 2018 are presented in accordance with HKFRS 15 as set out in Note 2 to the consolidated financial statements of this report.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources and bank borrowings. As of 31 December 2018, bank balances and cash in hand and short-term bank deposits amounted to approximately RMB135,351,000, fell by approximately RMB8,871,000 from approximately RMB144,222,000 in 2017. As of 31 December 2018, the Group's bank and cash balances were denominated in Renminbi, Hong Kong Dollars and United States Dollars.

PLEDGE OF ASSETS

The Group had not pledged any assets as at 31 December 2018. In 2017, assets with an aggregate carrying amount of approximately RMB56,832,000 were pledged to secure its bank borrowings.

CAPITAL STRUCTURE

As of 31 December 2018, the Group's equity attributable to owners of the Company increased by 3% to approximately RMB419,027,000 (2017: approximately RMB406,614,000). Total assets amounted to approximately RMB459,677,000 (2017: approximately RMB625,316,000) which included current assets of approximately RMB456,863,000 (2017: approximately RMB436,097,000). Current liabilities were approximately RMB47,253,000 (2017: approximately RMB68,931,000). Net assets value per share attributable to owners of the Company was approximately RMB29.5 cents (2017: approximately RMB28.6 cents). Current ratio was approximately 9.7 (2017: approximately 6.3).

As of 31 December 2018, the number of total issued shares of the Company was 1,419,610,000.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As of 31 December 2018, the Group did not have any material capital commitments and contingent liabilities.

FINAL DIVIDEND

No final dividend was recommended by the Board for the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS AND NET PROFIT MARGIN

For the Year, profit attributable to owners of the Company amounted to approximately RMB12,566,000 (2017: loss attributable to owners of the Company amounted to approximately RMB7,225,000). Net profit margin of the Group was approximately 3.8% (2017: net loss margin approximately 4.3%).

FOREIGN EXCHANGE RISK

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

GEARING RATIO

As of 31 December 2018, the Group's gearing ratio was approximately 1.93% (2017: 5.28%), which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

INTEREST-BEARING BANK BORROWINGS

As of 31 December 2018, the Group's bank borrowings amounted to approximately RMB8,868,000 (2017: approximately RMB33,000,000), bearing interest rates from 3.89% to 5.10% (2017: 4.39% to 5.00%) that were all due within one year.

HUMAN RESOURCES

As of 31 December 2018, the Group had a total of 69 employees (2017: 592 employees).

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

RELATIONSHIPS WITH STAKEHOLDERS

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

CORPORATE GOVERNANCE REPORT

The Board and Management of the Company recognise the importance of maintaining high standards of corporate governance. The Company had adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as its code which gives guidance on how corporate governance principles are applied to the Group. The Board reviews its corporate governance practices continuously to cope with the evolving needs of the Group. During the Year, the Company was in compliance with the CG Code except the following:

CODE PROVISION E.1.2

Code Provision E.1.2 stipulates that the chairman of the board, among other things, should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees and other committees (as appropriate) to attend 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. Mr. Li Ruigang, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 21 June 2018 (“2018 AGM”) due to other prior business engagement. However, Mr. Hui To Thomas, a non-executive Director chaired the 2018 AGM and answered questions from the shareholders of the Company.

The Corporate Governance Report of the Company is included in this annual report which also available on the Company’s website at www.shawbrotherspictures.com.

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

The Board currently comprises eight Directors (including three executive Directors, two non-executive Directors and three independent non-executive Directors). The Company also had appointed one alternate Director who ceased to act as an alternate Director of the Company with effect from 1 January 2019.

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

Chairman and Non-executive Director

Mr. Li Ruigang

Executive Directors

Mr. Ding Siqiang

Ms. Ding Xueleng

Miss Lok Yee Ling Virginia

Non-executive Director

Mr. Hui To Thomas

Independent non-executive Directors

Mr. Pang Hong

Mr. Poon Kwok Hing Albert

Miss Szeto Wai Ling Virginia

Resigned Director

Mr. Gu Jiong (resigned on 1 January 2019) as alternate Director to Mr. Hui To Thomas

The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group.

The biographical details of the Directors and member of senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 34 to 36 of this annual report.

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

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

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

SEGREGATION OF DUTIES BETWEEN THE CHAIRMAN AND THE GROUP CHIEF EXECUTIVE OFFICER

Mr. Li Ruigang is the Chairman of the Board. The Company does not have chief executive officer. It is considered that this structure will not impair the balance of power and authority between the Board and management of the Group as the roles of the executive Directors and senior management who are in charge of different functions complement the role of the Chairman and chief executive officer. It is believed that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

On 21 June 2018, Mr. Ding Siqiang, Ms. Ding Xueleng and Miss Lok Yee Ling Virginia who retired as Directors at the 2018 AGM, were successfully re-elected at the said meeting.

On 1 January 2019, Mr. Gu Jiong resigned as an alternate Director.

The Company issues letters of appointment or enters into service contracts with the Directors to document the key terms of appointment in writing for Directors.

In accordance with the Company's Articles of Association (the "Articles"), all Directors of the Company are subject to retirement and re-election.

In accordance with Article 84 of the Articles, at each annual general meeting, at least one-third of the Directors are required to retire from office by rotation. Each Director shall retire from office at least once every three years and shall include those who have been longest in office since their last election or re-election. Mr. Li Ruigang, Mr. Hui To Thomas and Mr. Pang Hong will retire as Directors at the forthcoming annual general meeting of the Company held in June 2019, and being eligible, will offer themselves for re-election at that meeting.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD DIVERSITY POLICY

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

The Board Diversity Policy is set out on page 26 of this annual report.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

In order to keep Directors abreast of professional development, the Company organised a training session in December 2018 to brief the Directors the key changes in corporate governance matters and related Listing Rules.

DIRECTORS' AND OFFICERS' INSURANCE

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

FUNCTIONS OF THE BOARD

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

CORPORATE GOVERNANCE FUNCTIONS

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

NON-EXECUTIVE DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND PROCEDURES

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

The Board held 5 meetings during the Year. At the meetings, the Board had approved the 2017 annual results; 2018 interim results; reviewed the quarterly performance; approved the disposal of the interest in subsidiaries; approved the change of Board member; approved the 2019 budget; and approved the publication of the relevant announcements in connection with the matters in this paragraph as required under the Listing Rules.

Details of the attendance¹ record of Directors at the meetings of the Board, executive committee of the Company (the “Executive Committee”), audit committee of the Company (the “Audit Committee”), remuneration committee of the Company (the “Remuneration Committee”) and nomination committee of the Company (the “Nomination Committee”), and 2018 AGM held during the Year are summarized as follows:

| | Type of meetings | | | | | 2018 AGM |
|--|-------------------|--------------------------------|--------------------------------------|------------------------------------|--|-------------|
| | Board meetings | Audit Committee meetings | Remuneration Committee meeting | Nomination Committee meeting | Executive ³ Committee meeting | |
| Directors | | | | | | |
| Mr. Li Ruigang | 3/5 | N/A | N/A | N/A | N/A | 0/1 |
| Mr. Ding Siqiang | 0/5 | N/A | N/A | N/A | N/A | 0/1 |
| Ms. Ding Xueleng | 0/5 | N/A | N/A | N/A | N/A | 0/1 |
| Miss Lok Yee Ling Virginia | 5/5 | N/A | N/A | N/A | 0/0 | 1/1 |
| Mr. Hui To Thomas | 5/5 | N/A | N/A | N/A | 0/0 | 1/1 |
| Mr. Pang Hong | 5/5 | 2/2 | 1/1 | 1/1 | N/A | 1/1 |
| Mr. Poon kwok Hing Albert | 5/5 | 2/2 | 1/1 | 1/1 | N/A | 1/1 |
| Miss Szeto Wai Ling Virginia | 4/5 | 2/2 | 1/1 | 1/1 | N/A | 0/1 |
| Resigned Director | | | | | | |
| Mr. Gu Jiong ² (alternate Director) | N/A | N/A | N/A | N/A | N/A | N/A |

Notes:

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

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

² Mr. Gu Jiong resigned as an alternate Director on 1 January 2019.

³ No meeting was held of Executive Committee after its establishment in late 2018.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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

Details of the attendance records of Directors at the committee meetings in 2018 are set out in the table under the section headed “Board Meetings and Procedures” in this CG report on page 15.

EXECUTIVE COMMITTEE

The Executive Committee of the Company was established on 6 December 2018 with written terms of reference, which is available on the websites of the Stock Exchange and the Company. It has two members comprising Miss Lok Yee Ling Virginia, the Executive Director (as committee chairman) and Mr. Hui To Thomas, the non-executive Director (as committee member).

The primary duties of the Executive Committee are to advise and assist the Board in formulating policies and to monitor the performance of management in carrying out and implementing the policies laid down by the Board for the Group.

No meeting was held following its establishment in December 2018.

AUDIT COMMITTEE

The Audit Committee of the Company was established on 6 January 2010 with written terms of reference, which is available on the websites of the Stock Exchange and the Company. It has three members comprising Mr. Poon Kwok Hing Albert (chairman), Mr. Pang Hong and Miss Szeto Wai Ling Virginia, all being independent non-executive Directors.

The primary duties of the Audit Committee are to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control and risk management systems of the Company.

The Audit Committee held two meetings during the Year to review the final results of the Group for 2017 and the interim results for the Year. The Group’s final results for the Year had been reviewed by the Audit Committee together with Management before submission to the Board for approval.

The Audit Committee had also reviewed the announcement of the results for 2018 and the annual report, and confirmed that the said announcement and this annual report with the applicable standard, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established on 6 January 2010 with written terms of reference, which is available on the websites of the Stock Exchange and the Company. It has three members, namely, Miss Szeto Wai Ling Virginia (Committee Chairman), Mr. Pang Hong and Mr. Poon Kwok Hing Albert, all of which are independent non-executive Directors.

The primary duties of the Remuneration Committee are to consult the Chairman of the Board about their remuneration proposals for other executive Directors, make recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management and make recommendation to the Board on the remuneration packages of individual Directors' and senior management. No Director shall participate in any discussion about his or her own remuneration. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions.

The Remuneration Committee held one meeting during the Year to review the remuneration policies of the Directors and the senior executives and review the remuneration packages and performance of the Directors for the Year.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company established the Nomination Committee on 6 January 2010 with written terms of reference, which is available on the websites of the Stock Exchange and the Company. It has three members, namely, Mr. Pang Hong (Chairman), Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia, all of which are independent non-executive Directors.

The primary duties of the Nomination Committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations to the Board regarding any proposed change, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors.

The Nomination Committee held one meeting during the Year to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and other related matters of the Company.

The Company adopted the Nomination of Directors Policy in December 2018. The Nomination of Directors Policy is set out on page 25 of this annual report.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

FINANCIAL REPORTING AND INTERNAL CONTROL

ACCOUNTABILITY AND AUDIT

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

Risk Management System

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

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2018, no significant risk was identified.

CORPORATE GOVERNANCE REPORT

Internal Control System

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

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group’s objectives, forming a basis for determining how risks should be managed.
- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

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

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.

Based on the internal control review conducted in 2018, no significant control deficiency was identified.

CORPORATE GOVERNANCE REPORT

Internal Auditors

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

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

Effectiveness of the Risk Management and Internal Control Systems

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

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

EXTERNAL AUDITOR’S REMUNERATION

The Company engaged SHINEWING (HK) CPA Limited as its external auditor for the Year. For the year ended 31 December 2018, the remuneration paid or payable for the audit and non-audit services provided by SHINEWING (HK) CPA Limited and its affiliated firms was as follows:

| Type of services provided | Amount of fees (RMB’000) |
|----------------------------------|-------------------------------------|
| Audit services | 1,145 |
| Non-audit services (Note) | 802 |
| Total | 1,947 |

Note: Non-audit services included mainly the service of reviewing the interim results of the Group for the period ended 30 June 2018, and services of assessing the risk management, internal control systems and reviewing the environmental, social and governance report of the Group.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Miss Chan Yin Yi Annie was appointed by the Board as the company secretary of the Company (the “Company Secretary”) since 29 January 2016. She has taken sufficient training hours of relevant professional training during the year ended 31 December 2018 and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. The biographical details of Miss Chan are set out under the section headed “Biographical Details of Directors and Senior Management” on page 36 of this annual report.

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

INVESTOR RELATIONS

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

ENQUIRES PUT TO THE BOARD

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

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

SHAW BROTHERS HOLDINGS LIMITED

NOMINATION OF DIRECTORS POLICY

1. OBJECTIVES

- 1.1 The Nomination Committee of the Board of the Committee ("NC") shall nominate suitable candidates to the Board for appointment as directors of the Company ("Director(s)") to fill casual vacancies.
- 1.2 The NC may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed by the Board or re-appointed at a general meeting, or the number of casual vacancies to be filled.

2. SELECTION CRITERIA

- 2.1 The factors listed below would be used as reference by the NC in assessing the suitability of a proposed candidate.
 - Reputation for integrity
 - Accomplishment and experience in the Movie and Entertainment industry
 - Commitment in respect of available time and relevant interest
 - Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

The above factors are for reference only, and not meant to be exhaustive and decisive. The NC has the discretion to nominate any person, as it considers appropriate.

- 2.2 Serving more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected.
- 2.3 Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election/re-election as a Director.
- 2.4 The NC may request candidates to provide additional information and documents, if considered necessary.

3. NOMINATION PROCEDURES

- 3.1 The Secretary of the NC shall present the biographical details of the candidates a meeting of the NC, and invite nominations of candidates from Board members if any, for consideration by the NC prior to its meeting. The NC may also put forward candidates who are not nominated by Board members.
- 3.2 For filling a casual vacancy, the NC shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the NC shall make nominations to the Board for its consideration and recommendation.
- 3.3 Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.
- 3.4 In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.
- 3.5 A shareholder can serve a notice to the Company Secretary within the lodgment period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the NC's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.
- 3.6 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.
- 3.7 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.
- 3.8 As there may be more candidates than the vacancies available, and the "gross-vote" method will be used to determine who shall be elected as a Director, shareholder proposed resolutions shall therefore take the same form as the resolutions proposed for the candidates recommended by the Board.

4. CONFIDENTIALITY

Unless required by law or any regulatory authority, under no circumstances shall a member of the NC or a staff member of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the circular to shareholders, as the case may be, is issued. Following the issue of the circular, the NC or Company Secretary or other staff member of the Company approved by the NC may answer enquiries from the regulatory authorities.

CORPORATE GOVERNANCE REPORT

SHAW BROTHERS HOLDINGS LIMITED

BOARD DIVERSITY POLICY

1. PURPOSE

1.1 This Policy aims to set out the approach to achieve diversity on the Company's board of directors ("Board").

2. VISION

2.1 The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

3. POLICY STATEMENT

3.1 With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objective and its sustainable development. In designing of Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience and business experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

4. MEASURABLE OBJECTIVE

4.1 Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience and business experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, age) will be disclosed in the Corporate Governance Report annually.

5. MONITORING AND REPORTING

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

6. REVIEW OF THIS POLICY

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

7. DISCLOSURE OF THIS POLICY

7.1 This Policy will be published on the Company's website for public information.

7.2 A summary of this Policy together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives will be disclosed in the annual Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

SHAW BROTHERS HOLDINGS LIMITED

DIVIDEND POLICY

1. Dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the applicable laws.
2. Subject to the applicable laws, the Company in general meeting may from time to time declare dividends in any currency to be paid to the Members but no dividend shall be declared in excess of the amount recommended by the Board.
3. The Board may from time to time pay to the Members such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights with regard to dividend and provided that the board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

REPORT OVERVIEW

The Environmental, Social and Governance (“ESG”) Report published by the Company outlines the way to fully implement the principles of sustainability and fulfill the responsibility as a corporate citizen by the Group. The ESG Report details various work of the Group fulfilling the principle of sustainable development and its performance in social governance during the Year.

REPORT SCOPE

The ESG Report mainly covers the environmental and social performance of the Group’s film, drama and non-drama productions, as well as artiste and event management business for the Year and focuses on disclosing the key performance indicators of offices in Kwun Tong and Tseung Kwan O. For details of corporate governance, please refer to the corporate governance report on pages 11 to 27 of the annual report of the Company.

REPORTING STANDARDS

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

STAKEHOLDER ENGAGEMENT

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

INFORMATION AND FEEDBACK

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

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

EMISSION TREATMENT

The emission source of the film, drama and non-drama productions as well as artiste and event management business of the Group is mainly back office operation. As the Group does not own any vehicles or stationary sources involving fuel use, there is no emission of air or water pollutants during the Year. Our emissions mainly comprise greenhouse gases, which are primarily derived from daily activities of the Group's operations and offices. Given that the Group operates in leased offices and the building management company is responsible for both water supply and discharge, the carbon emissions arising from freshwater and sewage processing are not included in total greenhouse gas emissions.

In addition to greenhouse gas emissions, we also produce a small amount of non-hazardous wastes in daily work, mainly including office paper and general daily garbage. The Group strictly complies with the laws and regulations related to waste disposal and engages qualified companies to collect and transport all wastes to landfills. During the Year, the Group does not produce any hazardous wastes.

EMISSIONS

| Indicators | 2018 | 2017 |
|---|-----------------|----------|
| Total greenhouse gas emissions (kg) | 32,670 | 28,132 |
| Scope 1 | 0 | 0 |
| Scope 2 | 17,264 | 14,131 |
| Scope 3 | 15,406 | 14,001 |
| Total greenhouse gas emissions per employee (kg/employee) | 1,053.86 | 1,125.30 |
| Total non-hazardous wastes (kg) | 216 | 216 |
| Total non-hazardous wastes per employee (kg/employee) | 6.97 | 8.64 |
| Total hazardous wastes (kg) | 0 | 0 |
| Total hazardous wastes per employee (kg/employee) | 0 | 0 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONSERVATION AND EMISSION REDUCTION

The Group will continue to implement and strengthen measures on energy conservation and reduction of greenhouse gas emissions to make a significant contribution to greening the environment and relieving global warming. The energy consumption of the Group mainly incurs in the use of electricity in our daily office operation, while the consumption of other resources includes the use of water and paper. As the office is leased by the Group, water consumption is not able to be collected.

ENERGY CONSUMPTION

| Indicators | 2018 | 2017 |
|--|----------|----------|
| Total energy consumption (kWh) | 33,851 | 26,169 |
| Total energy consumption per employee (kWh/employee) | 1,091.97 | 1,046.76 |

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

Resources Conservation

1. Keep lighting equipment and lights clean to maximize energy efficiency
2. Set lighting switches with isolated control in different lighting zones
3. Adopt energy efficient lighting (e.g. LED)
4. Suggest staff to dress lightly at work on each Friday to minimize the use of air-conditioning
5. Post labels in the toilets to remind users to save water
6. Install infrared taps and urinals with water-saving labels
7. Fix dripping taps immediately

Wastes and Emissions Reduction

1. Exchange information through electronic communication technology to reduce paper consumption
2. Post signs near printers as a reminder to choose double-sided printing or use reusable paper
3. Purchase printing paper, toilet paper and tissue made of recycled materials
4. Replace disposable items with reusable items, e.g., use rechargeable batteries instead of disposable batteries
5. Practise waste sorting for paper, metal and plastics recycling
6. Use recyclable toner cartridges/ink cartridges
7. Replace unnecessary overseas business travel with video/audio conference

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYEE FIRST

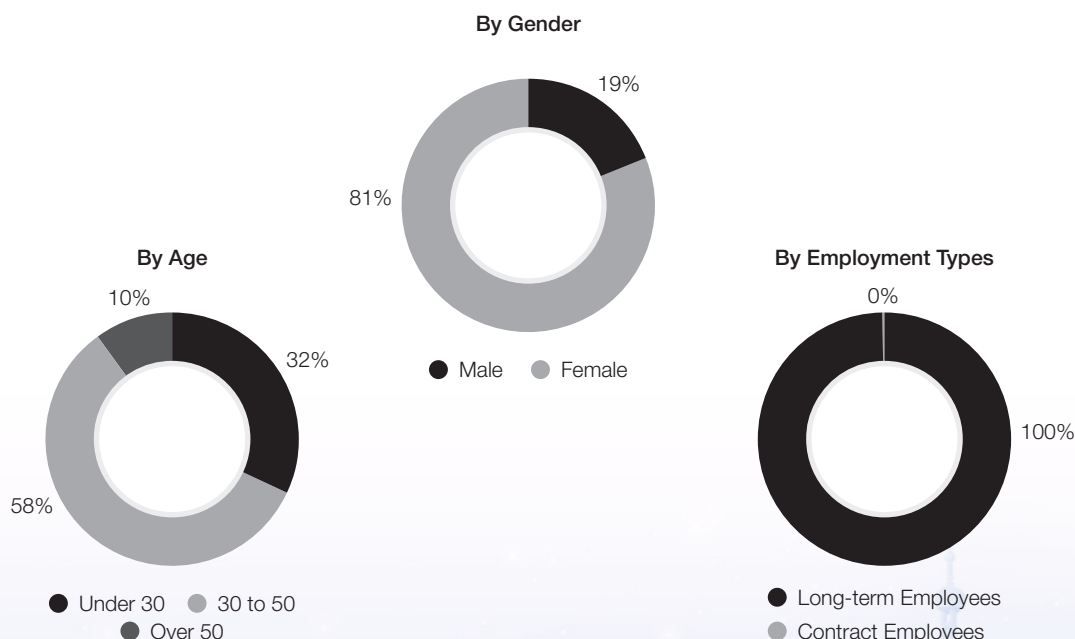
EMPLOYEES' RIGHTS

As the Group believes that high-quality employees with strong capacities can promote corporate operation and management, and enhance its results and performance, it always regards employees as its most important asset. The Group strictly complies with all labor laws in Hong Kong, including the Employment Ordinance, the Employees' Compensation Ordinance, the Occupational Safety and Health Ordinance and the Minimum Wage Ordinance, which protect the basic rights and interests of all employees.

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

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

During the Year, the analysis of employees distribution by different categories of the Group was as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

TRAINING AND DEVELOPMENT

The Group attaches great importance to the continuing progress and development of its employees as the products and service qualities of an enterprise depend on the efficiency and talent of its employees. We provide our employees with on-the-job training and learning opportunities to strengthen their recognition over related work area. During the Year, we arranged our employees to participate in the film-making process, including offering assistance for the filming of production highlights and assisting directors in carrying out the arrangements relating to filming. As a result, they are more familiar with the film-making process and can apply relevant knowledges in their daily work. With respect to professional development, the Group regularly conducts work review and evaluation on its employees to identify talents and offer promotion opportunities. In order to ensure our employees with enough room for development, we will give priority to internal promotion before considering external recruitment.

HEALTH AND SAFETY

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

OPERATING PRACTICES

PRODUCT RESPONSIBILITY

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

In addition to complying with the relevant laws and regulations such as the Personal Data (Privacy) Ordinance, the Group endeavors to protect customers' information and privacy through various measures. For example, we encrypt all the computer files in the office to prevent information leakage. When extracting important information, we also carefully consider the needs of our customers before deciding whether to provide the relevant information. The Group also protects employees' and job applicants' personal information. It undertakes to keep confidential and only use such personal information for employee selection, determination of remuneration and benefit package, staff administration and career development. Furthermore, the Group always attaches importance to the protection of copyright and intellectual property rights and promises not to commit plagiarism or other misconduct under the framework of the Copyright Ordinance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ANTI-CORRUPTION

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

COMMUNITY ENGAGEMENT

While focusing on the development of the principal businesses, the Group also pays attention to charity and always encourages its employees to actively participate in community welfare activities. In addition, we often arrange artists to join charity and community projects. By helping charitable organisations and institutions in launching events, we spread love in society. During the Year, our artists attended a charity concert “To Hear with Love”, which was organized by the Otic Foundation, so as to make efforts to improve the attention and recognition of the public over hearing issues. The donations raised from the concert was applied to provide suitable assistance to the deaf or people with hearing disability. Meanwhile, people from all walks of life were educated to offer understanding and acceptance to people with hearing disability.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Ruigang, aged 49, was appointed as the Chairman and Non-executive Director of the Company on 25 October 2016. He is the Founding Chairman of CMC Capital Partners and CMC Inc. (together with its affiliates, called “CMC”). Mr. Li has rich operational experience and in-depth insight into China’s media and entertainment industry. Mr. Li is a pioneer in establishing extensive international partnerships, and has led CMC in the creation of many industry champions across the areas of media, entertainment, sports, Internet, mobile, and lifestyle. Mr. Li is a non-executive director of WPP plc which is listed on the London Stock Exchange and the New York Stock Exchange. Mr. Li is a member of the Chinese Football Association’s Executive Committee and a board member of Special Olympics. Mr. Li is the Honorary Chairman of Shanghai Oriental Pearl Media Co. Ltd. which is listed on the Shanghai Stock Exchange. Mr. Li is the vice chairman and a non-executive director of Television Broadcasts Limited and a non-executive director of IMAX China Holding, Inc., both are the companies listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Li was formerly the chairman and president of Shanghai Media Group (“SMG”) in China for more than ten years, and had successfully transformed SMG from a provincial broadcaster into a media conglomerate with a comprehensive business scope, including the A-share listed Shanghai Oriental Pearl Media Co. Ltd. and China Business Network. Mr. Li was also Chief of Staff of Shanghai Municipal Government. Mr. Li holds a Master’s Degree of Arts and a Bachelor’s Degree of Arts of Journalism from Fudan University.

EXECUTIVE DIRECTORS

Mr. Ding Siqiang, aged 56, is an executive Director of the Company. He was appointed a Director of the Company since 25 June 2009 and re-designated as an executive Director on 6 January 2010. He was the chairman and president of the Company until 29 January 2016. Mr. Ding has 26 years of experience in the sportswear industry since he started to operate Fujian Jinjiang Hengqiang Shoes and Plastics Company (福建省晉江市恒強鞋塑有限公司) in 1993. He joined the Group in 1999 as the vice chairman of Fujian Meike Leisure Sports Goods Co., Ltd. (福建美克休閒體育用品有限公司) (“Fujian Meike”). He served as the legal representative and general manager of Fujian Meike since February 2003 and became the president of Fujian Meike since August 2007. He has been a member of the Ninth and Tenth Fujian Provincial Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議福建省第九屆和第十屆委員) since December 2002. He was appointed as a Standing Director of the First Session of the Jinjiang City Overseas Friendship Association (晉江市海外聯誼會第一屆常務理事) in December 2002. He was appointed as a Honorary Chairman of the First Council of the Jinjiang City Charity Federation (晉江市慈善總會首屆理事會榮譽會長) in December 2002. He was appointed as a director of the Fifth Board of Directors of Huaqiao University (華僑大學第五屆董事會董事) in December 2002. He was appointed as a Honorary Chairman of the Third Council of the Quanzhou City Footwear Chamber of Commerce (泉州市鞋業商會第三屆理事會名譽會長) in January 2006. He was appointed as the Honorary Leader of Chinese Women Hockey Team (中國女子曲棍球隊榮譽領隊) by Chinese Hockey Association (中國曲棍球協會) in October 2007. He also received his diploma in a course for chief executive officer in China (中國企業總裁高級研修班) from Peking University (北京大學) in September 2003. Mr. Ding is Ms. Ding Xueleng’s husband.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Ding Xueleng, aged 53, was appointed as an executive Director on 6 January 2010 and is the Vice President of the Company. She is primarily responsible for the management of footwear and apparel operations, design, research and development of the Group. Ms. Ding has 26 years of experience in the sportswear industry since she became the director of Fujian Jinjiang Hengqiang Shoes and Plastics Company (福建省晉江市恒強鞋塑有限公司). Ms. Ding joined the Group in February 1999 and was appointed as a director of Fujian Meike in 1999. She has also been the manager of Fujian Meike starting from February 1999 and was then appointed as the deputy general manager since February 2003. In August 2007, Ms. Ding was appointed as the general manager of Fujian Meike. Ms. Ding is Mr. Ding Siqiang's wife.

Miss Lok Yee Ling Virginia, aged 62, was appointed as an executive Director of the Company on 29 January 2016. She is the chairman of the Executive Committee of the Company. She is currently an Assistant General Manager (Talent Management and Development) of TVB. She first joined TVB in November 2003 as Assistant Controller (Talent), and was promoted to Deputy Controller (Production Resources) in May 2004 and Controller (Production Resources) in January 2008, and to her current position in July 2016. Miss Lok has had over 35 years of experience in TV drama production, artist management, production and distribution of motion pictures and the media industry in Hong Kong. From 1978 to 1982, Miss Lok started to work as assistant director (Drama) in Commercial Television and Rediffusion Television Limited ("RTV") and was promoted to director (Drama) in RTV. During this period, she also worked as line producer and production manager for a number of movies. From 1983 to 1993, Miss Lok took up the positions of line producer and executive producer in sizable movie production companies, including Shaw Brothers (Hong Kong) Limited. From 2009 to 2015, while serving as an executive of TVB, she also worked as executive producer and producer on a number of major movie productions. With years of experience in motion pictures, Miss Lok has produced more than 40 titles, including a number of major box office hits, such as Let's Make Laugh (表錯七日情), Love in a Fallen City (傾城之戀), To Be Number One (跛豪), Prince Charming (青蛙王子), Turning Point (Laughing Gor之變節) and 72 Tenants of Prosperity (72家租客). Recent productions include Line Walker (使徒行者) and Triumph in the Skies (衝上雲霄) and drama series of Flying Tiger (飛虎之潛行極戰) and Guardian Angel (守護神之保險調查). Miss Lok is a director of Shine Investment Limited, the substantial shareholder of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Hui To Thomas, aged 46, was appointed as a Non-executive Director of the Company on 25 October 2016. He is a member of the Executive Committee of the Company. He is the chief operating officer and an executive director of CMC Inc., the substantial shareholder of the Company. Mr. Hui is also an executive director of Television Broadcasts Limited, the substantial shareholder of the Company, which is listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Hui was formerly the managing director of Gravity Corporation, a media holding company. Prior to that, Mr. Hui was an independent non-executive director of KingSoft Corporation Limited, which is listed on the main board of The Stock Exchange of Hong Kong Limited. Before that, Mr. Hui was the president, chief operation officer and an executive director of GigaMedia Limited, a company listed on the NASDAQ stock market. Prior to that, Mr. Hui also was a non-executive director of JC Entertainment Corporation, a Korean online game company listed on the KOSDAQ stock market. He was an executive director in the investment banking division of Goldman Sachs (Asia) L.L.C., Hong Kong, and an investment banker at Merrill Lynch & Co. as well as serving as a management consultant at McKinsey & Company. Mr. Hui holds a Master's Degree of Engineering in Electrical Engineering from Cornell University and a Bachelor's Degree of Science in Electrical Engineering from the University of Wisconsin, Madison.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pang Hong, aged 65, was appointed as an Independent Non-executive Director of the Company on 23 June 2015. He is also the chairman of the nomination committee a member of the audit Committee, and a member of the remuneration committee of the Company. He had worked for various enterprises and government departments in China for over 20 years. He has substantial knowledge of the investment environment in China and has extensive experience in the management of Chinese companies. He is currently the independent non-executive directors of SMI Holdings Group Limited, which is listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Pang was a former independent non-executive director of OCI International Holdings Limited and Sino Haijing Holdings Limited, both companies are listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Poon Kwok Hing Albert, aged 57, was appointed as an Independent Non-executive Director of the Company on 23 June 2015. He is also the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee of the Company. He is currently the independent non-executive directors of the Rosedale Hotel Holdings Limited and Master Glory Group Limited (former name: Hanny Holdings Limited), both companies listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Poon graduated from the University of Bath, United Kingdom with a Master of Science degree in Business Administration. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia.

Miss Szeto Wai Ling Virginia, aged 56, was appointed as an independent non-executive Director of the Company on 29 January 2016. She is also the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company. She is a solicitor in Hong Kong and a solicitor of the Supreme Court of England and Wales. She holds a Bachelor of Laws Degree from Oxford Brookes University and a Master of Science Degree in Criminal Justice Policy from The London School of Economics and Political Science. Miss Szeto is currently an independent non-executive director of Shunten International (Holdings) Limited (former name: RM Group Holdings Limited) from 15 April 2016. Miss Szeto was a former chairman and non-executive director of Larry Jewelry International Company Limited from 3 October 2016 to 12 January 2018 and was a former executive director of Sino Haijing Holdings Limited from 19 March 2015 to 4 July 2016. She was also a former independent non-executive director of SMI Culture Group Holdings Limited (former name: Qin Jia Yuan Media Services Company Limited) from 31 August 2012 to 27 August 2013. All four companies are listed on the main board or the GEM of the Stock Exchange. Miss Szeto was the Head of Legal Department of New World Development Company Limited.

SENIOR MANAGEMENT

Miss Chan Yin Yi Annie, aged 50, was appointed as the Company Secretary and Authorised Representative of the Company on 29 January 2016. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

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

THE COMPANY

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, and the compliance with relevant laws and regulations, as well as the Group's environmental policies, relationship with stakeholders and performance which have a significant impact on the Company, can be found in the Management Discussion and Analysis set out on pages 5 to 10 and the Chairman's Statements as set out on pages 3 to 4 of this annual report. Such discussions forms part of this Directors' Report.

FINANCIAL RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 56 to 57 of this annual report.

DIVIDEND POLICY

The Company adopted the Dividend Policy in December 2018. The Dividend Policy is set out on page 27 of this annual report.

DIVIDEND

Based on the full-year results of 2018, the Directors did not recommend to pay final dividend. No dividend was declared by the Board for the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 4 June 2019 to Tuesday, 11 June 2019 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 3 June 2019.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

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

BANK BORROWINGS

Details of bank borrowings of the Group as at 31 December 2018 are set out in Note 24 to the consolidated financial statements in this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements in this annual report is set out on page 133. This summary does not form part of the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the Company's paid up capital for the Year are set out in Note 26 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

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

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

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

TRANSFER TO RESERVES

Profit attributable to equity shareholders, before dividends, of RMB12,566,000 (2017: loss attributable to equity shareholders RMB7,225,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity in this annual report.

SIGNIFICANT RELATED PARTIES TRANSACTIONS

Details of the significant related party transactions entered into by the Group in the normal course of business during the year ended 31 December 2018 are disclosed in Note 32 to the consolidated financial statements in this annual report. The Directors consider that those material related party transactions did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for approximately 79% of the total sales and sales to the largest customer included therein amounted to approximately 59% of the total sales. TVB, a related company of which Mr. Li Ruigang as the chairman and shareholder of the Company held interest and directorship as disclosed in Note 32 to the consolidated financial statement, was one of the Group's five largest customers.

Purchases from the Group's five largest suppliers accounted for approximately 55% of the total purchases and purchase from the Group's largest supplier included therein amounted to approximately 37% of the total purchases. TVB, a related company of which Mr. Li Ruigang as the chairman and shareholder of the Company held interest and directorship as disclosed in Note 32 to the consolidated financial statement, was one of the Group's five largest suppliers.

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

DIRECTORS

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

Chairman and Non-executive Director

Mr. Li Ruigang

Executive Directors

Mr. Ding Siqiang

Ms. Ding Xueleng

Miss Lok Yee Ling Virginia

Non-executive Director

Mr. Hui To Thomas

Independent Non-executive Directors

Mr. Pang Hong

Mr. Poon Kwok Hing Albert

Miss Szeto Wai Ling Virginia

Resigned Director

Mr. Gu Jiong (resigned on 1 January 2019) as alternate Director to Mr. Hui To Thomas

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

Mr. Ding Siqiang, Ms. Ding Xueleng and Miss Lok Yee Ling Virginia retired as Directors at the 2018 AGM, were successfully re-elected at the 2018 AGM.

DIRECTORS' REPORT

Mr. Li Ruigang, Mr. Hui To Thomas and Mr. Pang Hong will retire as Directors, and being eligible, will offer themselves for re-election at the annual general meeting of the Company to be held in June 2019 ("2019 AGM").

Details of the appointment and re-election of the Directors of the Company are set out in the section headed "Appointment, re-election and removal of Directors" in the Corporate Governance Report on page 13 of this annual report. Apart from the foregoing, no Director proposed for re-election at the 2019 AGM has a service contract or a letter of appointment with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BOARD COMMITTEES

The responsibilities of the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee and their work done during the Year are set out in the Corporate Governance Report on pages 16 to 18 of this annual report.

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of Directors and member of senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 34 to 36 of this annual report.

DIRECTORS EMOLUMENTS

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

PERMITTED INDEMNITY

Pursuant to the Articles, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the financial year ended 31 December 2018.

INTERESTS OF DIRECTORS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

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

(1) MAJOR AND CONNECTED TRANSACTION

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

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

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

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

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

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

DIRECTORS' REPORT

(2) CONTINUING CONNECTED TRANSACTION

(i) *Cooperation Framework Agreement of the Company*

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

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

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

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

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

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

During 2018, there were no transactions in relation to the Investment Projects and the Artistes Engagement occurred respectively, the amount in relation to the Investment Projects and the Artistes Engagement during 2018 was nil respectively.

(ii) **Artiste Management Agreements of Tailor Made**

On 1 September 2016, Tailor Made entered into Artiste Management Agreements with each of Good Servant and Esther Communications for the engagement of Tailor Made as the sole and exclusive agent of Mr. Wong Cho Lam and his spouse, Miss Li Yanna Leanne, respectively in the entertainment industry throughout the world with effective since 1 September 2016. By the Performance Guarantees, Mr. Wong and Ms. Li guarantee separately the performance by Good Servant and Esther Communications of all their duties and obligations under the Artiste Management Agreements.

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

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

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

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

The amount in relation to the Artiste Management Agreement with Good Servant and Esther Communications were approximately RMB11,558,000 and RMB550,000 respectively during 2018.

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

- i. in the ordinary and usual course of business of the Company and its subsidiaries;
- ii. either on normal commercial terms or on terms no less favourable to the Company and its subsidiaries than terms available to or from independent third parties; and
- iii. according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' REPORT

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 41 to 43 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2018, the following Directors (including their respective close associates) were considered to have interests in businesses which may compete, either directly or indirectly, with the businesses of the Group, particulars of which are set out below:

| Name of Director | Name of the entities which may compete with the businesses of the Group | Description of businesses of the entities which may compete with the businesses of the Group | Nature of Director's interests in the entities |
|----------------------------|---|--|--|
| Mr. Li Ruigang | CMC Holdings Limited (now known as CMC Inc.) | Film investment and artiste management | Ultimate controlling shareholder, chairman and director |
| | Huaren Wenhua Limited Liability Company | Film investment and artiste management | Ultimate controlling shareholder |
| | Flagship Entertainment Group Limited | Film investment production and distribution | Ultimate controlling shareholder |
| | Television Broadcasts Limited | Film investment and artiste management | Vice chairman and non-executive director |
| Mr. Hui To Thomas | CMC Holdings Limited (now known as CMC Inc.) | Film investment and artiste management | Chief operation officer and executive director |
| | Television Broadcasts Limited | Film investment and artiste management | Executive director |
| | Huaren Wenhua Limited Liability Company | Film investment and artiste management | Executive director |
| | Flagship Entertainment Group Limited | Film investment production and distribution | Non-executive director |
| | Imagine Tiger Television, LLC | Production of films and television programmes | Director |
| Miss Lok Yee Ling Virginia | Television Broadcasts Limited | Film investment and artiste management | Assistant general manager (talent management and development) ¹ |

Note

- 1 Miss Lok Yee Ling Virginia is an assistant general manager (talent management and development) of Television Broadcasts Limited but not a director.

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

- a) the Group is capable of, and does carry on its business independently of, and on an arm's length basis, with the competing business of these company;
- b) a member of the investment committee or the artiste management team has a conflict of interest in a transaction being reviewed due to his or her relationship with the counterparty, that transaction shall be reviewed by other members who have no such conflict, thus will ensure business opportunities and performance are independently assessed and reviewed from time to time; and
- c) the relevant Directors are fully aware of their fiduciary duties to the Group and will abstain from voting on any matter where these is or may be conflict of interest.

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

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

MANAGEMENT CONTRACTS

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

RETIREMENT BENEFITS SCHEMES

The Group participates in several defined contribution retirement plans that cover the Group's eligible employees in the PRC and a Mandatory Provident Fund Scheme for the employee in Hong Kong. Particulars of these retirement plans are set out in Note 31 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2018 amounted to RMB359.1 million.

INTEREST BEARING BANK BORROWINGS

Particulars of interest bearing bank loans of the Group as at 31 December 2018 are set out in Note 24 to the financial statements.

DIRECTORS' REPORT

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

As at 31 December 2018, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITION IN THE SHARES AND IN THE UNDERLYING SHARES

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

Notes:

- 1 The percentage was calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2018, which was 1,419,610,000.
- 2 Mr. Li Ruigang was interested in such 425,000,000 Shares through certain corporations controlled directly or indirectly by him. Shine Investment Limited ("Shine Investment"), Shine Holdings Cayman Limited ("Shine Holdings"), CMC Shine Acquisition Limited ("CMC Shine Acquisition"), CMC Shine Holdings Limited ("CMC Shine Holdings"), CMC Holdings Limited (now known as "CMC Inc."), GLRG Holdings Limited ("GLRG Holdings"), Gold Pioneer Worldwide Limited ("Gold Pioneer") and Brilliant Spark Holdings Limited ("Brilliant Spark") were the substantial shareholders of the Company, Shine Investment was interested in such 425,000,000 Shares. Shine Investment was 85% owned by Shine Holdings which was 100% owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Inc.. CMC Inc. was 82.12% controlled by Gold Pioneer, and was 0.46% controlled by GLRG Holdings which was wholly-owned by Gold Pioneer. Gold Pioneer was wholly-owned by Brilliant Spark. Each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Inc., GLRG Holdings, Gold Pioneer and Brilliant Spark was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Brilliant Spark was 100% owned by Mr. Li Ruigang.
- 3 Ms. Ding Xueleng is the spouse of Mr. Ding Siqiang. She is deemed or taken to be interested in all the Shares that Mr. Ding is interested in.

DIRECTORS' REPORT

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

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

As at 31 December 2018, not being Directors or chief executive of the Company had interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

LONG POSITION IN THE SHARES

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

DIRECTORS' REPORT

Notes:

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

At 31 December 2018 and according to the information of the corporate/individual substantial shareholder(s) of the Company as shown on the website of the Stock Exchange.

- 1 The percentage is calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2018, which was 1,419,610,000.
- 2 Shine Investment, Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Holdings Limited (now known as "CMC Inc."), Gold Pioneer and Brilliant Spark were the substantial shareholders of the Company. Shine Investment was interested in such 425,000,000 Shares. Shine Investment was 85% owned by Shine Holdings which was 100% owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Inc.. CMC Inc. was 82.12% controlled by Gold Pioneer, and was 0.46% controlled by GLRG Holdings which was wholly-owned by Gold Pioneer. Gold Pioneer was wholly-owned by Brilliant Spark. Each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Inc., Gold Pioneer and Brilliant Spark was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Brilliant Spark was 100% owned by Mr. Li Ruigang. Mr. Li Ruigang was interested in such 425,000,000 Shares through the above corporations controlled directly or indirectly by him (also see Note 4 below).
- 3 TVB was deemed to be interested in such 425,000,000 Shares through its interest in Shine Investment (also see Note 4 below).
- 4 Shine Investment, Shine Holdings and TVB were parties of the agreement (the "Agreement") to hold the interest in such 425,000,000 Shares. The Agreement was the one to which section 317 of the SFO applied.

Save as disclosed above, as at 31 December 2018, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

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

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

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

During the Year, no option has been granted, cancelled nor lapsed.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group employed approximately 69 full-time staff members. The basic remunerations of the employees are determined with reference to the industry's remuneration benchmark, the employees' experience and their performance, and equal opportunities will be offered to all staff. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits required by laws, the Group also provides discretionary bonuses based upon the Group's results and the individual performance of the staff. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for many years. The Group adopted a share option scheme as incentive for its employees, further details of which are set out in the paragraph headed "Share Option Scheme" above.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 11 to 27 of this annual report.

DIRECTORS' REPORT

CONFIRMATION OF INDEPENDENCE

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

PUBLIC FLOAT

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

AUDITOR

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

By Order of the Board

Li Ruigang

Chairman

Hong Kong, 19 March 2019



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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHAW BROTHERS HOLDINGS LIMITED**
邵氏兄弟控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shaw Brothers Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 132, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

IMPAIRMENT OF INVESTMENTS IN FILMS, DRAMA AND NON-DRAMA AND PRODUCTION IN PROGRESS

Refer to Note 16 to the consolidated financial statements and the accounting policies in Note 3.

The key audit matter

The impairment of the investments in films, drama and non-drama and production in progress are dependent on profitability of the films, drama and non-drama. There is a risk of potential loss from the investments in films, drama and non-drama and production in progress.

We have identified impairment of investments in films, drama and non-drama and production in progress as a key audit matter because of the significance to the consolidation financial statements and the judgement and estimations involved in the impairment assessment.

How the matter was addressed in our audit

Our audit procedures were designed to evaluate the management's assessment on impairment and reasonableness of methods used and the assumption applied.

We have assessed the assumptions and critical judgement used by the management by assessing the reliability of the management's past estimates.

We assessed the methodology used by management and the appropriateness of key assumptions in determining the impairment of investment in films, drama and non-drama and production in progress by obtaining evidence to support management's judgment and assumptions for estimating future cash flows.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

19 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

| | Notes | 2018 RMB'000 | 2017 RMB'000 |
|---|-------|-----------------|-----------------|
| Continuing operation | | | |
| Revenue | 5 | 217,997 | 152,831 |
| Cost of sales | | (149,764) | (117,589) |
| Gross profit | | 68,233 | 35,242 |
| Other income | 7 | 3,039 | 2,616 |
| Gain on disposal of subsidiaries | 36(b) | 801 | – |
| Selling and distribution expenses | | (12,009) | (3,241) |
| Administrative expenses | | (46,844) | (36,918) |
| Other operating expenses | | (3,011) | (1,100) |
| Finance costs | 8 | (823) | (1,664) |
| Profit (loss) before tax | | 9,386 | (5,065) |
| Income tax | 9 | (2,146) | (1,050) |
| Profit (loss) for the year from continuing operation | 10 | 7,240 | (6,115) |
| Discontinued operation | | | |
| Profit (loss) for the year from discontinued operation | 35 | 1,050 | (446) |
| Profit (loss) for the year | | 8,290 | (6,561) |
| Profit (loss) for the year attributable to owners of the Company: | | | |
| – From continuing operation | | 11,516 | (6,999) |
| – From discontinued operation | | 1,050 | (226) |
| | | 12,566 | (7,225) |
| (Loss) profit for the year attributable to non-controlling interests: | | | |
| – From continuing operation | | (4,276) | 884 |
| – From discontinued operation | | – | (220) |
| | | (4,276) | 664 |
| Total profit (loss) for the year | | 8,290 | (6,561) |
| Earnings (loss) per share | | | |
| From continuing and discontinued operations | | | |
| – Basic and diluted (RMB cent) | 13 | 0.885 | (0.509) |
| From continuing operation | | | |
| – Basic and diluted (RMB cent) | 13 | 0.811 | (0.493) |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

| | Notes | 2018 RMB'000 | 2017 RMB'000 |
|---|-------|-----------------|-----------------|
| Profit (loss) for the year | | 8,290 | (6,561) |
| Other comprehensive income for the year | | | |
| <i>Item that will not be reclassified to income statement:</i> | | | |
| Fair value gain on investments in equity instruments at fair value through other comprehensive income | | 236 | – |
| Total comprehensive income (expense) for the year | | 8,526 | (6,561) |
| Total comprehensive income (expense) for the year attributable to owners of the Company: | | | |
| – From continuing operation | | 11,610 | (6,999) |
| – From discontinued operation | 35 | 1,050 | (226) |
| | | 12,660 | (7,225) |
| Total comprehensive (expense) income for the year attributable to non-controlling interests: | | | |
| – From continuing operation | | (4,134) | 884 |
| – From discontinued operation | 35 | – | (220) |
| | | (4,134) | 664 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

| | Notes | 2018 RMB'000 | 2017 RMB'000 |
|---|-------|-----------------|-----------------|
| Non-current assets | | | |
| Property, plant and equipment | 15 | 1,138 | 1,949 |
| Equity instruments at fair value through other comprehensive income | 20 | 1,676 | – |
| | | 2,814 | 1,949 |
| Current assets | | | |
| Loan receivable | 17 | – | 6,522 |
| Consideration receivables | 36 | 5,321 | – |
| Trade and other receivables | 18 | 102,865 | 106,514 |
| Deposit paid for potential acquisition | 25 | – | 25,836 |
| Amount due from a related company | 23 | 7,519 | – |
| Investments in films, drama and non-drama | 16 | 89,588 | 62,747 |
| Films, drama and non-drama productions in progress | 16 | 91,500 | 65,182 |
| Financial asset at fair value through profit or loss | 19 | 24,719 | 25,074 |
| Bank balances and cash | 21 | 135,351 | 144,222 |
| | | 456,863 | 436,097 |
| Assets classified as held for sale | 35 | – | 187,270 |
| | | 456,863 | 623,367 |
| Current liabilities | | | |
| Trade and other payables | 22 | 24,457 | 30,183 |
| Contract liabilities | 22 | 10,849 | – |
| Income tax payables | | 3,079 | 1,050 |
| Amounts due to related companies | 23 | – | 4,698 |
| Bank borrowings | 24 | 8,868 | 33,000 |
| | | 47,253 | 68,931 |
| Liabilities associated with assets classified as held for sale | 35 | – | 118,583 |
| | | 47,253 | 187,514 |
| Net current assets | | 409,610 | 435,853 |
| | | 412,424 | 437,802 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

| | Note | 2018 RMB'000 | 2017 RMB'000 |
|--|------|-----------------|-----------------|
| Capital and reserves | | | |
| Share capital | 26 | 12,322 | 12,322 |
| Reserves | | 406,705 | 394,292 |
| <hr/> | | | |
| Equity attributable to owners of the Company | | 419,027 | 406,614 |
| Non-controlling interests | | (6,603) | 31,188 |
| <hr/> | | | |
| Total equity | | 412,424 | 437,802 |

The consolidated financial statements on pages 56 to 132 were approved and authorised for issue by the board of directors on 19 March 2019 and are signed on its behalf by:

Mr. Hui To Thomas
Director

Miss. Lok Yee Ling, Virginia
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

| | Note | Share capital RMB'000 | Share premium RMB'000 | FVTOCI reserve RMB'000 | Statutory reserve RMB'000 (Note a) | Other reserves RMB'000 (Note b) | Accumulated losses RMB'000 | Total RMB'000 | Non- controlling interests RMB'000 | Total RMB'000 |
|---|------|--------------------------|--------------------------|------------------------------|---|--|----------------------------------|------------------|---|------------------|
| At 1 January 2017 | | 12,322 | 750,821 | - | 47,422 | 142,000 | (538,726) | 413,839 | 30,524 | 444,363 |
| Loss and total comprehensive expenses for the year | | - | - | - | - | - | (7,225) | (7,225) | 664 | (6,561) |
| At 31 December 2017 | | 12,322 | 750,821 | - | 47,422 | 142,000 | (545,951) | 406,614 | 31,188 | 437,802 |
| At 1 January 2018 | | 12,322 | 750,821 | - | 47,422 | 142,000 | (545,951) | 406,614 | 31,188 | 437,802 |
| HKFRS 9 adjustment (Note 2.1) | | - | - | - | - | - | (247) | (247) | - | (247) |
| At 1 January 2018 (Restated) | | 12,322 | 750,821 | - | 47,422 | 142,000 | (546,198) | 406,367 | 31,188 | 437,555 |
| Profit (loss) for the year | | - | - | - | - | - | 12,566 | 12,566 | (4,276) | 8,290 |
| Other comprehensive loss for the year: | | | | | | | | | | |
| Fair value loss on investments in equity instruments at fair value through other comprehensive income | | - | - | 94 | - | - | - | 94 | 142 | 236 |
| Total comprehensive income (expense) for the year | | - | - | 94 | - | - | 12,566 | 12,660 | (4,134) | 8,526 |
| Disposal of subsidiaries | 36 | - | - | - | (47,422) | - | 47,422 | - | (33,657) | (33,657) |
| At 31 December 2018 | | 12,322 | 750,821 | 94 | - | 142,000 | (486,210) | 419,027 | (6,603) | 412,424 |

Notes:

(a) Statutory reserve

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

(b) Other reserves

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

| | 2018 RMB'000 | 2017 RMB'000 |
|---|-----------------|-----------------|
| OPERATING ACTIVITIES | | |
| Profit (loss) before tax from continuing operation | 9,386 | (5,065) |
| Profit (loss) before tax from discontinued operation | 1,050 | (446) |
| Loss before tax | 10,436 | (5,511) |
| Adjustments for: | | |
| Finance costs | 823 | 5,778 |
| Interest income | (2,425) | (2,091) |
| Amortisation of prepaid lease payments | - | 297 |
| Depreciation of property, plant and equipment | 989 | 4,161 |
| Reversal of impairment loss recognised in respect of trade receivables | - | (664) |
| Impairment loss recognised in respect of trade and other receivables | 3,011 | 4,652 |
| Impairment loss recognised in respect of other prepayment | - | 1,100 |
| Impairment loss recognised in respect of property, plant and equipment | - | 1,412 |
| Interest income from investment in bond | (202) | (68) |
| Gain on disposal of subsidiaries | (1,851) | - |
| Gain on disposal of property, plant and equipment | - | (12) |
| Government grants | - | (39) |
| Operating cash inflows before movements in working capital | 10,781 | 9,015 |
| Increase in films, drama and non-drama investments | (26,841) | (16,542) |
| Increase in films, drama and non-drama productions in progress | (26,318) | (65,182) |
| Decrease in inventories | - | 3,941 |
| Decrease (increase) in trade and other receivables | 391 | (13,945) |
| (Decrease) increase in trade and other payables | (2,973) | 33,042 |
| Increase in contract liabilities | 8,096 | - |
| Decrease in amounts due to related companies | (2,295) | (23,943) |
| Increase in amount due from a related company | (7,519) | - |
| Decrease (increase) in financial asset at fair value through profit or loss | 557 | (25,006) |
| Cash used in operations | (46,121) | (98,620) |
| Income tax paid | (117) | - |
| NET CASH USED IN OPERATING ACTIVITIES | (46,238) | (98,620) |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

| | Note | 2018 RMB'000 | 2017 RMB'000 |
|--|------|------------------|-----------------|
| INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | | (178) | (3,275) |
| Repayment from a loan receivable | | 6,522 | 13,858 |
| Interests received | | 2,425 | 2,091 |
| Proceeds from disposal of property, plant and equipment | | – | 12 |
| Increase in equity instruments at fair value through other comprehensive income | | (1,440) | – |
| Net cash outflow from disposal of subsidiaries | 36 | (109,927) | – |
| Refund of deposit paid for potential acquisition | | 25,836 | – |
| NET CASH (USED IN) FROM INVESTING ACTIVITIES | | (76,762) | 12,686 |
| FINANCING ACTIVITIES | | | |
| Repayment of bank borrowings | | – | (154,700) |
| Interests paid | | (823) | (5,778) |
| New bank borrowings raised | | 8,868 | 154,700 |
| Repayment to a related company | | (2,403) | – |
| Advance from a related company | | – | 145 |
| Government grants received | | – | 39 |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | | 5,642 | (5,594) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (117,358) | (91,528) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | | 252,709 | 344,237 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | | 135,351 | 252,709 |
| Represented by bank balances and cash attributable to: | | | |
| – Continuing operation | | 135,351 | 144,222 |
| – Discontinued operation | | – | 108,487 |
| | | 135,351 | 252,709 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the investments in films, drama and non-drama and productions in progress and artiste and event management. The Company acts as an investment holding company and engaged in the investments in films, drama and non-drama and production in progress and artiste and event management. The principal activities of its subsidiaries are set out in Note 34.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

| | |
|-------------------------------|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and related Amendments |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of Annual Improvement to HKFRSs 2014 – 2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |
| HK(IFRIC) – Interpretation 22 | Foreign Currency Transactions and Advance Consideration |

Except as described below, the application of the above new and amendments to HKFRSs in the current year has no material impact on the Group’s financial performance and positions for the current and prior years and/ or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(continued)

2.1 HKFRS 9 FINANCIAL INSTRUMENTS

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group’s existing financial assets and liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost or fair value through profit or loss (“FVTPL”), as appropriate, as were previously measured under HKAS 39.

Loss allowance for expected credit losses (“ECL”)

The adoption of HKFRS 9 has changed the Group’s accounting for impairment losses for financial assets by replacing HKAS 39’s incurred loss model with a forward-looking ECL approach. As at 1 January 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

As at 1 January 2018, an additional allowance on the Group’s trade and other receivables of RMB247,000, have been recognised, thereby increasing the opening accumulated losses of RMB247,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(continued)

2.2 HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Investments in films, drama and non-drama and productions income
- Artiste and event management services income
- Other trading income

Information about the Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

At the date of initial application, RMB2,753,000 related to advance billings from the customers for artiste and event management services. These previously included in trade and other payables were reclassified to contract liabilities upon application of HKFRS 15.

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The following tables summarise the estimated impact of applying HKFRS 15 on the consolidated statement of financial position at 31 December 2018, by comparing the amounts reported under HKAS 11, HKAS 18 and related interpretations that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of HKFRS 15 did not have material impact on the Group’s operating, investing and financing cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(continued)

2.2 HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Impact on the consolidated statement of financial position at 31 December 2018

| | As reported RMB'000 | Impacts of adopting HKFRS 15 RMB'000 | Amounts excluding impacts of adopting HKFRS 15 RMB'000 |
|--------------------------|------------------------|---|---|
| Trade and other payables | 24,457 | 10,849 | 35,306 |
| Contract liabilities | 10,849 | (10,849) | – |

NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

| | |
|---------------------------------------|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015-2017 Cycle ¹ |
| Amendments to HKFRS 3 | Definition of a Business ⁴ |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material ⁵ |
| Amendment to HKAS 19 | Plan Amendment, Curtailment or Settlement ¹ |
| Amendment to HKAS 28 | Long-term Interests in Associates and Joint Ventures ¹ |
| HKFRS 16 | Leases ¹ |
| HKFRS 17 | Insurance Contracts ² |
| HK(IFRIC) – Interpretation 23 | Uncertainty over Income tax treatments ¹ |

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(continued)

HKFRS 16 LEASES

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

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

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

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

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

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

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB1,376,000 as disclosed in Note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect its returns.

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

- a contractual arrangement with other vote holders;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights; or
- a combination of the above, based on all relevant facts and circumstances.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PREPAID LEASE PAYMENTS

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

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

INVENTORIES

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

INVESTMENTS IN FILMS, DRAMA AND NON-DRAMA

Investments in films, drama and non-drama are the Group's investments project which entitles the Group to share certain percentage of income to be generated from the related film, drama and non-drama based on the proportion of investment amounts as specified in respective investment agreements.

Investments are stated at cost, less any identified impairment loss. The costs of investments are recognised as expenses in cost of sales upon the entitlement of income in accordance with respective agreements.

FILMS, DRAMA AND NON-DRAMA PRODUCTIONS IN PROGRESS

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

CASH AND CASH EQUIVALENTS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial asset at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (continued)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other income" line item in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivable, consideration receivable, amount due from a related company and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)
(continued)

(i) Significant increase in credit risk *(continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

*Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)
(continued)*

(iii) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(iv) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

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

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial assets and is included in the "other income" line item. Fair value is determined in the manner described in Note 28c.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables and loan receivable) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (continued)

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

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of equity investment which the Group has elected on initial recognition to measure at FVTOCI upon adoption of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Other financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial liabilities and equity instruments (continued)

Effective interest method

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

REVENUE FROM CONTRACTS WITH CUSTOMERS (UPON APPLICATION OF HKFRS 15 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION (PRIOR TO 1 JANUARY 2018)

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

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

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

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

Revenue from investments in films, drama and non-drama represents the Group's share certain percentage of income to be generated from the related film, after the deduction of the relevant charges and expenses. The Group's share of profit is determined in accordance with the percentage of total invested amount set out in the respective film investment agreements.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BORROWING COSTS

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

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

FOREIGN CURRENCIES

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

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

IMPAIRMENT LOSSES ON TANGIBLE ASSETS

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASING

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

The Group as lessee

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

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

LEASEHOLD LAND AND BUILDING

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

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

RETIREMENT BENEFIT COSTS

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

SHORT-TERM EMPLOYEE BENEFITS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION *(continued)*

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

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

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

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

NON-CURRENT ASSETS HELD FOR SALE

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

CRITICAL JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES

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

Control in a subsidiary

As per Note 34, Tailor Made Production Limited is a subsidiary of the Group even though the Group has only a 40% ownership interest and has only 40% of the voting rights in Tailor Made Production Limited. Tailor Made Production Limited is a private company incorporated in Hong Kong. The Group has had 40% ownership interest when it is incorporated at 31 March 2016 and the remaining 60% of the ownership interests are held by three shareholders that are not related to the Group.

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

Revenue recognition at a point in time

Under HKFRS 15, control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Group. The Group has considered the relevant local laws that apply to those relevant contracts and opinion from external legal counsel. Based on the assessment of the Group's management, the terms of the relevant sales contracts do not create an enforceable right to payment for the Group after taking into consideration indicators. Accordingly, revenue from the films, drama and non-drama productions and artiste and event management service are considered to be performance obligation satisfied at a point in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Provision of ECL for trade and other receivables

The impairment provisions for trade and other receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss. The information about the ECL and the Group's trade and other receivables are disclosed in Note 18.

Impairment of investment in films, drama and non-drama and production in progress

The Group assess at the end of each reporting period whether there is any indication for impairment of investment in films, drama and non-drama and production in progress and further assesses if they have suffered any impairment, in accordance with the accounting policies stated in Note 3. Such annual assessment is performed on film-by-film basis at the end of each reporting period. The management determined the provision for impairment of investment in films, drama and non-drama and production in progress taking into account the estimation of future cash flow. Where the actual future cash flow are less than expected, a material impairment loss may arise. The information about the investment in films, drama and non-drama and production in progress are disclosed in Note 16.

5. REVENUE

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

| | 2018 RMB'000 | 2017 RMB'000 |
|---|-----------------|-----------------|
| Films, drama and non-drama production | 129,600 | 91,873 |
| Investments in films, drama and non-drama | 21,948 | 14,571 |
| Artiste management services income | 42,306 | 35,968 |
| Event management service income | 16,408 | 10,018 |
| Others | 7,735 | 401 |
| | 217,997 | 152,831 |

The Group's revenue is recognised at a point in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION

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

During the year ended 31 December 2017, the Company has entered into an agreement to dispose of the 51% interests in Amber Jungle Limited and its subsidiaries (collectively referred to as the “Disposal Group”) which were previously included in manufacturing and trading segment. The directors of the Company considered such business was classified as discontinued operation during the year ended 31 December 2017 and 2018 and details are set out in Note 35. The following segment information does not include the discontinued business. The other business previously included in manufacturing and trading segment are included in other segment below.

SEGMENT REVENUES, RESULTS, ASSETS AND LIABILITIES

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

- (i) Investments in films, drama and non-drama and productions in progress – investments, productions and distribution of films, drama and non-drama;
- (ii) Artiste and event management – the provision of artiste and event management services; and
- (iii) Others – trading and other activities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUES AND RESULTS

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

Continuing operation:

| | Investments in films, drama and non-drama and productions in progress | | Artiste and event management | | Others | | Total | |
|--------------------------|---|-----------------|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Year ended 31 December | | | | | | | |
| | 2018 RMB'000 | 2017 RMB'000 | 2018 RMB'000 | 2017 RMB'000 | 2018 RMB'000 | 2017 RMB'000 | 2018 RMB'000 | 2017 RMB'000 |
| Segment revenue | 151,548 | 106,444 | 58,714 | 45,986 | 7,735 | 401 | 217,997 | 152,831 |
| Segment profit (loss) | 35,692 | 11,004 | 7,009 | 4,466 | (2,799) | (3,692) | 39,902 | 11,778 |
| Unallocated income | | | | | | | 3,840 | 2,616 |
| Unallocated expenses | | | | | | | (34,356) | (19,459) |
| Profit (loss) before tax | | | | | | | 9,386 | (5,065) |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION *(continued)*

SEGMENT ASSETS AND LIABILITIES

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

| | 2018 RMB'000 | 2017 RMB'000 |
|---|-----------------|-----------------|
| SEGMENT ASSETS | | |
| Investments in films, drama and non-drama and productions in progress | 260,180 | 165,118 |
| Artiste and event management | 27,215 | 27,928 |
| Others | 4,077 | 35,700 |
| Total segment assets | 291,472 | 228,746 |
| Unallocated assets | 168,205 | 209,300 |
| Assets relating to discontinued operation/ assets classified as held for sales | - | 187,270 |
| | 459,677 | 625,316 |
| SEGMENT LIABILITIES | | |
| Investments in films, drama and non-drama and productions in progress | 20,813 | 9,341 |
| Artiste and event management | 17,572 | 24,187 |
| Others | - | - |
| Total segment liabilities | 38,385 | 33,528 |
| Unallocated liabilities | 8,868 | 35,403 |
| Liabilities relating to discontinued operation/ liabilities classified as held for sale | - | 118,583 |
| | 47,253 | 187,514 |

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

- all assets are allocated to operating segments other than property, plant and equipment, loan receivable, deposit paid for potential acquisition, consideration receivable, financial asset at fair value through profit or loss, equity instrument at fair value through other comprehensive income, 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 and certain amounts due to related companies as these liabilities are managed on a group basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION

Continuing operation:

| | Investments in films, drama and non-drama and productions in progress RMB'000 | Artiste and event management RMB'000 | Others RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|--|--|---|-------------------|------------------------|------------------|
| Year ended 31 December 2018 | | | | | |
| <i>Amounts included in the measure of segments results or segment assets:</i> | | | | | |
| Additions to non-current assets | - | - | - | 178 | 178 |
| Depreciation of property, plant and equipment | - | - | - | 989 | 989 |
| Impairment loss recognised in respect of trade and other receivable | 2,938 | 73 | - | - | 3,011 |
| <i>Amounts regularly provided to the CODM but not included in the measure of segment result:</i> | | | | | |
| Interest income | - | - | - | (2,425) | (2,425) |
| Interest income from investment in bond | - | - | - | (202) | (202) |
| Finance cost | - | - | - | 823 | 823 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION *(continued)*

Continuing operation: *(continued)*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

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

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

Continuing operation:

| | The PRC RMB'000 | Hong Kong RMB'000 | Total RMB'000 |
|--|--------------------|----------------------|------------------|
| <i>Revenue from external customers</i> | | | |
| Year ended 31 December 2018 | 173,507 | 44,490 | 217,997 |
| Year ended 31 December 2017 | 30,236 | 122,595 | 152,831 |

Non-current assets

| | | | |
|-------------------------------|------------|------------|--------------|
| As at 31 December 2018 | 420 | 718 | 1,138 |
| As at 31 December 2017 | 673 | 1,276 | 1,949 |

INFORMATION ABOUT MAJOR CUSTOMERS

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

| | 2018 RMB'000 | 2017 RMB'000 |
|-------------------------|-----------------|-----------------|
| Customer A ¹ | 129,600 | N/A* |
| Customer B ¹ | N/A* | 91,873 |

¹ Revenue from films, drama and non-drama production

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. OTHER INCOME

| | 2018 RMB'000 | 2017 RMB'000 |
|--|-----------------|-----------------|
| Net exchange gain | 305 | 1,304 |
| Interest income | 2,425 | 1,244 |
| Interests income from investment in bond (Note 19) | 202 | 68 |
| Others | 107 | – |
| | 3,039 | 2,616 |

8. FINANCE COSTS

| | 2018 RMB'000 | 2017 RMB'000 |
|---|-----------------|-----------------|
| Interest expenses on bank borrowings wholly repayable within five years | 823 | 1,664 |

9. INCOME TAX

| | 2018 RMB'000 | 2017 RMB'000 |
|-----------------------------------|-----------------|-----------------|
| Current tax: | | |
| Hong Kong Profits Tax | 1,970 | 320 |
| PRC Enterprise Income Tax ("EIT") | 176 | 730 |
| | 2,146 | 1,050 |

- (i) Pursuant to the rule and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2017 and 2018. Tax exemptions represented reduction of Hong Kong Profits Tax for the year of assessment of 2017/2018 and 2018/2019 by 75%, subject to a ceiling of HK\$20,000 per case.
- (iii) Under the Law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 December 2017 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. INCOME TAX (continued)

The income tax expense for the year can be reconciled to the profit/(loss) before tax per the consolidated statement of profit or loss as follows:

| | 2018 RMB'000 | 2017 RMB'000 |
|--|-----------------|-----------------|
| Profit (loss) before tax from continuing operation | 9,386 | (5,065) |
| Tax at the income tax rate of 25% (2017: 25%) | 2,346 | (1,266) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (112) | 164 |
| Tax effect of income not taxable | (651) | (145) |
| Tax effect of non-deductible expenses | 621 | 749 |
| Tax effect of tax losses not recognised | – | 1,600 |
| Utilisation of tax losses previously not recognised | (6) | – |
| Effect of tax exemption granted | (52) | (52) |
| Income tax expense for the year | 2,146 | 1,050 |

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

At the end of the reporting period, the Group has unused tax losses of approximately RMB961,000 (2017: RMB986,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

10. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging:

Continuing operation

| | 2018 RMB'000 | 2017 RMB'000 |
|--|-----------------|-----------------|
| Salaries and allowances | 19,670 | 13,483 |
| Contributions to retirement benefits scheme | 2,119 | 1,453 |
| Total staff costs (including directors' and chief executive's emoluments disclosed in Note 11) | 21,789 | 14,936 |
| Impairment loss on other prepayment (included in the other operating expenses) | – | 1,100 |
| Impairment loss on trade and other receivables | 3,011 | – |
| Auditors' remuneration | 1,145 | 1,214 |
| Depreciation of property, plant and equipment | 989 | 309 |
| Operating lease rentals in respect of office premises | 1,877 | 1,744 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive were as follows:

| | Directors' fees RMB'000 | Performance bonus RMB'000 | Contributions to retirement benefits scheme RMB'000 | Total RMB'000 |
|---|-------------------------------|---------------------------------|---|------------------|
| Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings | | | | |
| For the year ended 31 December 2018 | | | | |
| <i>Chief executive and executive director:</i> | | | | |
| Miss Lok Yee Ling Virginia | 420 | 877 | 15 | 1,312 |
| <i>Executive directors:</i> | | | | |
| Mr. Ding Siqiang (Note b) | - | - | - | - |
| Ms. Ding Xueleng (Note b) | - | - | - | - |
| Mr. Jiang Wei (Note a) | - | - | - | - |
| | 420 | 877 | 15 | 1,312 |
| <i>Chairman and non-executive director:</i> | | | | |
| Mr. Li Ruigang | 303 | - | - | 303 |
| <i>Non-executive director:</i> | | | | |
| Mr. Hui To Thomas | 101 | - | - | 101 |
| | 404 | - | - | 404 |
| <i>Independent non-executive directors:</i> | | | | |
| Mr. Pang Hong | 152 | - | - | 152 |
| Mr. Poon Kwok Hing, Albert | 152 | - | - | 152 |
| Miss Szeto Wai Ling Virginia | 152 | - | - | 152 |
| | 456 | - | - | 456 |
| <i>Alternate director</i> | | | | |
| Mr. Gu Jiong (Notes b & c) | - | - | - | - |
| | 1,280 | 877 | 15 | 2,172 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

| | Directors' fees RMB'000 | Performance bonus RMB'000 | Contributions to retirement benefits scheme RMB'000 | Total RMB'000 |
|---|-------------------------------|---------------------------------|---|------------------|
| Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings | | | | |
| For the year ended 31 December 2017 | | | | |
| <i>Chief executive and executive director:</i> | | | | |
| Miss Lok Yee Ling Virginia | 422 | 469 | 15 | 906 |
| <i>Executive directors:</i> | | | | |
| Mr. Ding Siqiang (Note b) | – | – | – | – |
| Ms. Ding Xueleng (Note b) | – | – | – | – |
| Mr. Jiang Wei (Note a) | 104 | – | – | 104 |
| | 526 | 469 | 15 | 1,010 |
| <i>Chairman and non-executive director:</i> | | | | |
| Mr. Li Ruigang | 312 | – | – | 312 |
| <i>Non-executive director:</i> | | | | |
| Mr. Hui To Thomas | 104 | – | – | 104 |
| | 416 | – | – | 416 |
| <i>Independent non-executive directors:</i> | | | | |
| Mr. Pang Hong | 143 | – | – | 143 |
| Mr. Poon Kwok Hing, Albert | 143 | – | – | 143 |
| Miss Szeto Wai Ling Virginia | 143 | – | – | 143 |
| | 429 | – | – | 429 |
| <i>Alternate director</i> | | | | |
| Mr. Gu Jiong (Notes b & c) | – | – | – | – |
| | 1,371 | 469 | 15 | 1,855 |

Notes:

- (a) Mr. Jiang Wei has resigned from being executive director on 1 January 2018.
- (b) The directors agreed to waive their emoluments for the years ended 31 December 2017 and 2018.
- (c) Mr. Gu Jiong has resigned from being alternate director on 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Three of the directors of the Company as indicated above waived or agreed to waive the aggregate emoluments of RMB456,000 paid by the Group for the year ended 31 December 2018.

No emoluments have been paid to directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2018 and 2017.

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

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2017: two) was the director of the Company whose emolument is set out in Note 11 above. The emoluments of the remaining four (2017: three) highest paid individuals were as follows:

| | 2018 RMB'000 | 2017 RMB'000 |
|---|-------------------------------|-----------------|
| Salaries, allowances, and other benefits | 2,493 | 2,020 |
| Contributions to retirement benefits scheme | 58 | 44 |
| | 2,551 | 2,064 |

Their emoluments were within the following bands:

| | 2018 Number of individuals | 2017 Number of individuals |
|---|---|----------------------------------|
| Nil to HK\$1,000,000 (equivalent to approximately RMB842,000 (2017: RMB867,000)) | 2 | 2 |
| HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately RMB842,001 to RMB1,263,000) | 2 | 1 |

No emoluments were paid by the Group to the five highest paid individuals as an incentive payment for joining the Group or as compensation for loss of office for the years ended 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. EARNINGS (LOSS) PER SHARE

FROM CONTINUING AND DISCONTINUED OPERATIONS

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

| | 2018 RMB'000 | 2017 RMB'000 |
|--|-----------------|-----------------|
| Earnings (loss) | | |
| Profit (loss) for the purpose of basic and diluted earnings (loss) per share | 12,566 | (7,225) |

| | 2018 '000 | 2017 '000 |
|--|------------------|--------------|
| Number of shares | | |
| Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share | 1,419,610 | 1,419,610 |

The diluted earnings (loss) per share is equal to the basic earnings (loss) per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2018 and 2017.

FROM CONTINUING OPERATION

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

| | 2018 RMB'000 | 2017 RMB'000 |
|--|-----------------|-----------------|
| Earnings (loss) | | |
| Profit (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operation | 11,516 | (6,999) |

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share from continuing and discontinued operation.

FROM DISCONTINUED OPERATION

Basic and diluted earnings per share from the discontinued operation is RMB0.074 cent per share (2017: loss of RMB0.016 cent per share), based on the profit for the year from the discontinued operation of approximately RMB1,050,000 (2017: loss of approximately RMB226,000) and the denominators detailed above for basic and diluted earnings (loss) per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

15. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Machineries | Office equipment | Motor vehicles | Total |
|---|------------------|--------------------|-----------------------------|---------------------------|--------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| COST | | | | | |
| At 1 January 2017 | 94,717 | 15,350 | 7,683 | 2,766 | 120,516 |
| Additions | – | 1,475 | 1,800 | – | 3,275 |
| Disposals | – | – | – | (483) | (483) |
| Reclassification of assets held for sale (Note 35) | (94,717) | (13,818) | (5,107) | (1,769) | (115,411) |
| At 31 December 2017 and 1 January 2018 | – | 3,007 | 4,376 | 514 | 7,897 |
| Additions | – | – | 178 | – | 178 |
| Eliminated on disposal of a subsidiary | – | (3,007) | (2,050) | (514) | (5,571) |
| At 31 December 2018 | – | – | 2,504 | – | 2,504 |
| DEPRECIATION AND IMPAIRMENT | | | | | |
| At 1 January 2017 | 39,817 | 15,350 | 7,225 | 2,766 | 65,158 |
| Provided for the year | 3,789 | 63 | 309 | – | 4,161 |
| Impairment loss recognised in profit or loss | – | 1,412 | – | – | 1,412 |
| Disposals | – | – | – | (483) | (483) |
| Reclassification of assets held for sale (Note 35) | (43,606) | (13,818) | (5,107) | (1,769) | (64,300) |
| At 31 December 2017 and 1 January 2018 | – | 3,007 | 2,427 | 514 | 5,948 |
| Provided for the year | – | – | 989 | – | 989 |
| Eliminated on disposal of a subsidiary | – | (3,007) | (2,050) | (514) | (5,571) |
| At 31 December 2018 | – | – | 1,366 | – | 1,366 |
| CARRYING AMOUNTS | | | | | |
| At 31 December 2018 | – | – | 1,138 | – | 1,138 |
| At 31 December 2017 | – | – | 1,949 | – | 1,949 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

| | |
|----------------------------|--------------|
| Buildings held for own use | 25 years |
| Machineries | 10 years |
| Office equipment | 3 to 9 years |
| Motor vehicles | 10 years |

16. INVESTMENTS IN FILMS, DRAMA AND NON-DRAMA/ FILMS, DRAMA AND NON-DRAMA PRODUCTIONS IN PROGRESS

| | 2018 RMB'000 | 2017 RMB'000 |
|---|-----------------|-----------------|
| Investments in films, drama and non-drama | 89,588 | 62,747 |

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

| | 2018 RMB'000 | 2017 RMB'000 |
|--|-----------------|-----------------|
| Films, drama and non-drama productions in progress | 91,500 | 65,182 |

| | 2018 RMB'000 | 2017 RMB'000 |
|-----------------------------|-----------------|-----------------|
| At 1 January | 65,182 | – |
| Additions | 121,246 | 146,350 |
| Recognised in cost of sales | (94,928) | (81,168) |
| At 31 December | 91,500 | 65,182 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

17. LOAN RECEIVABLE

| | 2018 RMB'000 | 2017 RMB'000 |
|---------------------------|-----------------|-----------------|
| Unsecured loan receivable | – | 6,522 |

As at 31 December 2017, the unsecured loan receivable RMB6,522,000 (2018: Nil) bear interest at a fixed rate 5% per annum. The unsecured loan receivable was fully repaid in 2018.

18. TRADE AND OTHER RECEIVABLES

| | 2018 RMB'000 | 2017 RMB'000 |
|-----------------------------------|-----------------|-----------------|
| Trade receivables | 60,638 | 58,092 |
| Other receivables | 3,294 | 1,879 |
| Prepayments | 38,933 | 46,543 |
| Other receivables and prepayments | 42,227 | 48,422 |
| Trade and other receivables | 102,865 | 106,514 |

As at 31 December 2018, the trade receivables arising from contracts with customers amounted to RMB60,638,000 (1 January 2018: RMB58,092,000).

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

| | 2018 RMB'000 | 2017 RMB'000 |
|-----------------|-----------------|-----------------|
| Within 90 days | 40,887 | 40,424 |
| 91 to 180 days | 3,340 | – |
| 181 to 365 days | 16,411 | 17,668 |
| Total | 60,638 | 58,092 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES *(continued)*

Included in the Group's trade receivables balances were debtors with aggregate carrying amount of approximately RMB35,496,000 as at 31 December 2017 which were past due as at the end of the respective reporting period. The Group has not provided for impairment loss as at 31 December 2017 as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

| | 2017 RMB'000 |
|-------------------------------|--------------------|
| Neither past due nor impaired | 22,596 |
| Past due but not impaired: | |
| Within 90 days | 17,828 |
| 91-180 days | – |
| Over 180 days | 17,668 |
| <hr/> | |
| Total | <hr/> <hr/> 58,092 |

Before the application of HKFRS 9 on 1 January 2018, the Group has policy regarding impairment losses on trade receivables which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment including the current creditworthiness and the past collection history of each customer. No allowance for bad and doubtful debt was provided and no balance of provision for bad and doubtful debt had been recognised as at 31 December 2017.

Upon the application of HKFRS 9 on 1 January 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The estimated loss rates are estimated based on the expected life of the debtors and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the PRC and Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date.

The Group recognised lifetime ECL for trade receivables with gross carrying amount of RMB63,869,000 as at 31 December 2018, based on individually significant customer or the ageing of customers that are not individually significant collectively by applying expected credit loss rates ranging from 0.1% to 5.1%. Credit allowance of RMB3,231,000 is made as at 31 December 2018.

The Group measured 12m ECL on other receivables and the credit allowance of RMB27,000 is made as at 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES *(continued)*

The movement in the impairment loss of trade and other receivables during the year ended 31 December 2018 is as follows:

| | Impairment loss of trade receivables | Impairment loss of other receivables | Total |
|--|---|---|--------------|
| | RMB'000 | RMB'000 | RMB'000 |
| Balance as at 31 December 2017 | – | – | – |
| Adjustment upon application of HKFRS 9 (Note 2.1) | 234 | 13 | 247 |
| Balance as at 1 January 2018 (Note) | 234 | 13 | 247 |
| Loss allowance recognised | 2,997 | 14 | 3,011 |
| Balance as at 31 December 2018 | 3,231 | 27 | 3,258 |

Note: The Group has initially applied HKFRS 9 at 1 January 2018 and comparative information is not restated.

Since the application of HKFRS 9 on 1 January 2018, there has been no change in the estimation techniques or significant assumptions made.

19. FINANCIAL ASSET AT FVTPL

| | 2018 | 2017 |
|--|---------------|---------|
| | RMB'000 | RMB'000 |
| Government bond with fixed interest of 0.8% and maturity date in May 2019 | 24,719 | 25,074 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

20. EQUITY INSTRUMENTS AT FVTOCI

| | 2018 RMB'000 | 2017 RMB'000 |
|-----------------------|-----------------|-----------------|
| Unlisted investments: | | |
| Equity securities | 1,676 | – |

Note:

The above unlisted equity investments represented the Group's equity interest in private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that they are not held for trading and are held for long-term investment purpose.

The movements of equity instrument at FVTOCI are as follows:

| | RMB'000 |
|--|---------|
| At 31 December 2017 and 1 January 2018 | – |
| Addition | 1,440 |
| Net change in fair value of equity instruments at FVTOCI | 236 |
| At 31 December 2018 | 1,676 |

21. BANK BALANCES AND CASH

Bank balances and bank deposits carried interest at market rates which ranged from 0.001% to 3.800% (2017: 0.001% to 3.800%) per annum. As at 31 December 2018, approximately RMB54,456,000 (2017: RMB27,248,000) of the bank deposits and bank balances and cash of the Group were denominated in HK\$ and approximately RMB441,000 (2017: approximately RMB52,360,000) of the bank deposits and bank balances and cash of the Group were denominated in USD which are the currencies other than RMB. The remaining balances and short-term bank deposits were denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. TRADE AND OTHER PAYABLES/ CONTRACT LIABILITIES

| | 2018 | 2017 |
|-----------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Trade payables | 12,489 | 8,106 |
| Other payables | 7,395 | 15,512 |
| Receipts in advance | – | 2,753 |
| Accrued payroll and staff welfare | 4,573 | 3,812 |
| | 11,968 | 22,077 |
| Trade and other payables | 24,457 | 30,183 |
| Contract liabilities | 10,849 | – |

Included in balance of accrued payroll and staff welfare, there is approximately RMB877,000 director's remuneration payable to Miss Lok Yee Ling Virginia as at 31 December 2018 (2017: approximately RMB469,000).

Included in balance of other payables, there is approximately RMB5,611,000 amount due to a non-controlling interest shareholder as at 31 December 2017. The amount was fully settled during the year ended 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES *(continued)*

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

| | 2018 RMB'000 | 2017 RMB'000 |
|----------------|-------------------------------|-----------------|
| Within 90 days | 11,884 | 7,946 |
| 91 to 180 days | 605 | 160 |
| Total | 12,489 | 8,106 |

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

Contract liabilities represent advance billings to the customers for artiste and event management services. In general, the Group receives certain percentage of the contract sum when enter the agreements depends on the negotiation with individual customers. These deposits are recognised as contract liabilities until the services are rendered.

Revenue recognised during the year ended 31 December 2018 that was included in the contract liabilities as at 1 January 2018 is RMB2,753,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

23. AMOUNTS DUE FROM (TO) RELATED COMPANIES

A) AMOUNT DUE FROM A RELATED COMPANY

| | 2018 RMB'000 | 2017 RMB'000 | Maximum amount outstanding during 2018 RMB'000 | 2017 RMB'000 |
|--|-----------------|-----------------|---|-----------------|
| Amount due from | | | | |
| – Television Broadcasts Limited (“TVB”) (Note i and iii) | 7,519 | – | 15,494 | – |

B) AMOUNTS DUE TO RELATED COMPANIES

| | 2018 RMB'000 | 2017 RMB'000 |
|--|-----------------|-----------------|
| Amounts due to | | |
| – TVB (Note i and iii) | – | 2,295 |
| – Hengqiang (China) Company Limited (“Hengqiang”) (Note ii) | – | 2,403 |
| | – | 4,698 |

Notes:

- (i) TVB held equity interest in the Company as at 31 December 2018; and Mr. Li Ruigang, the substantial controlling shareholder and director of the Company also held beneficial interests and directorship in this company. Due to the relationship with TVB and repayment record, the management considered that the amount due from a related company is recoverable and thus no impairment is recognised during the year.
- (ii) As at 31 December 2018, Mr. Ding Siqiang, a director of the Company, holds 80% equity interests (2017: 80%) of 恒強(國際)有限公司, which is the ultimate holding company of Hengqiang.
- (iii) The amounts are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

24. BANK BORROWINGS

| | 2018 RMB'000 | 2017 RMB'000 |
|--|-----------------|-----------------|
| Bank borrowings repayable within one year: | | |
| Secured | – | 33,000 |
| Unsecured | 8,868 | – |

During the year ended 31 December 2018, the Group obtained a new bank borrowing of HK\$10,000,000 (equivalent to approximately RMB8,868,000) (2017: RMB33,000,000) to finance the general working capital of the Group. The bank borrowing will be repayable in full in November 2019.

The bank borrowing carried floating rate at Hong Kong Interbank Offered Rate (“HIBOR”) plus 2.8% per annum (2017: fixed rate: 4.39% to 5.00%) as at 31 December 2018.

The secured bank borrowings of RMB33,000,000 as at 31 December 2017 were secured by the property, plant and equipment of the Group.

The Group’s borrowing that is denominated in currency other than functional currency of the relevant group entities is set out below:

| | 2018 RMB'000 | 2017 RMB'000 |
|------|-----------------|-----------------|
| HK\$ | 8,868 | – |

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

| | 2018 RMB'000 | 2017 RMB'000 |
|----------------------------|-----------------|-----------------|
| Floating rate | | |
| – expiring within one year | 8,868 | – |
| Fixed rate | | |
| – expiring within one year | – | 15,362 |

As at 31 December 2018, banking facilities were secured by the unlimited personal guarantee provided by a director and a non-controlling shareholder of Tailor Made Production Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25. DEPOSIT PAID FOR POTENTIAL ACQUISITION

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

On 31 July 2017, the Company entered into a supplementary agreement and terminated the Proposed Acquisition. Such deposit has been fully repaid during the year ended 31 December 2018.

26. SHARE CAPITAL

| | Number of shares | | Share capital | |
|----------------------------------|------------------|--------------|------------------|------------------|
| | 2018 '000 | 2017 '000 | 2018 HK\$'000 | 2017 HK\$'000 |
| Ordinary shares of HK\$0.01 each | | | | |
| Authorised: | | | | |
| At end of the year | 10,000,000 | 10,000,000 | 100,000 | 100,000 |

| | Number of shares | | Share capital | |
|------------------------|------------------|--------------|------------------|------------------|
| | 2018 '000 | 2017 '000 | 2018 HK\$'000 | 2017 HK\$'000 |
| Issued and fully paid: | | | | |
| At end of the year | 1,419,610 | 1,419,610 | 14,196 | 14,196 |
| | | | RMB'000 | RMB'000 |
| Presented as | | | 12,322 | 12,322 |

27. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in Note 24, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

| | 2018 RMB'000 | 2017 RMB'000 |
|---|-----------------|-----------------|
| Financial assets | | |
| Loans and receivables (including cash and cash equivalents) | – | 236,551 |
| Financial assets at amortised cost | 212,123 | – |
| Financial asset at FVTPL | 24,719 | 25,074 |
| Equity instruments at FVTOCI | 1,676 | – |
| | 238,518 | 261,625 |
| Financial liabilities | | |
| Liabilities measured at amortised cost | 33,325 | 65,053 |

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Market risk

(i) *Foreign currency risk*

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

The Group's bank borrowings', certain bank balances and deposits are denominated in Hong Kong dollars ("HK\$") and United States dollars ("USD") which is a currency other than functional currency of the relevant group entities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk (continued)

(i) Foreign currency risk (continued)

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

| | 2018 | | 2017 | |
|------|-------------------|------------------------|-------------------|------------------------|
| | Assets RMB'000 | Liabilities RMB'000 | Assets RMB'000 | Liabilities RMB'000 |
| HK\$ | 54,456 | 8,868 | 27,248 | – |
| USD | 441 | – | 52,360 | – |

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in RMB against HK\$ and USD for the year ended 31 December 2018. 5% (2017: 5%) is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates.

A negative number below indicates a decrease in profit before tax (2017: increase in loss before tax) for the year where RMB strengthen 5% (2017: 5%) against the relevant currency. For a 5% (2017: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit (loss) before tax for the year.

| | 2018 RMB'000 | 2017 RMB'000 |
|------------------------|-----------------|-----------------|
| Pre-tax profit or loss | (2,301) | (3,980) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances (see Note 21 for details) and bank borrowings (see Note 24 for details). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from bank borrowings.

Sensitivity analysis

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

For variable-rate short-term bank deposits, bank balances and variable-rate bank borrowing, if the interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2018 would increase/decrease by approximately RMB632,000 (2017: loss before tax would decrease/increase by approximately RMB721,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Under HKAS 39, impairment losses are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 January 2018, the Group applies simplified approach on trade receivables to provide for ECL prescribed by HKFRS 9. To measure the ECL, the trade receivables have been grouped based on shared credit risk characteristics with details disclosed in Note 18. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group has concentration of credit risk as 53% (2017: 31%) and 66% (2017: 44%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

For the amount due from a related company, the management of the Group considers the credit risk is low, as counterparty with good credit worthiness based on, among others, its background, credit history, length of business relationship and subsequent settlement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with terms of loan.

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

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

| | Total undiscounted cash flows due on demand or within one year RMB'000 | Carrying amount RMB'000 |
|--|---|--|
| At 31 December 2018 | | |
| <i>Non-derivative financial liabilities</i> | | |
| Trade and other payables | 24,457 | 24,457 |
| Bank borrowings | 9,000 | 8,868 |
| | 33,457 | 33,325 |
| At 31 December 2017 | | |
| <i>Non-derivative financial liabilities</i> | | |
| Trade and other payables | 27,355 | 27,355 |
| Amounts due to a related companies | 4,698 | 4,698 |
| Bank borrowings | 33,396 | 33,000 |
| | 65,449 | 65,053 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. FINANCIAL INSTRUMENTS *(continued)*

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

Other price risk

The Group is exposed to price risk through its financial asset at FVTPL. At the year ended 31 December 2018, the Group held investment in fixed-rate government bond. For the bond with fixed-rate coupons, they are more susceptible to fluctuation in interest rate. As interest rate move upwards, the value of the bonds will generally fall.

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

Sensitivity analysis

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

If the prices of the respective financial asset at FVTPL had been 5% (2017: 5%) higher/lower:

- pre-tax profit for the year ended 31 December 2018 would increase/decrease by RMB1,236,000 (2017: pre-tax loss would decrease/increase by approximately RMB1,254,000) as a result of financial asset at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. FINANCIAL INSTRUMENTS *(continued)*

(C) FAIR VALUE MEASUREMENTS RECOGNISED OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

| Financial asset | Fair value as at | | Fair value hierarchy | Valuation technique and key input | Significant unobservable input(s) |
|--|---|---|----------------------|--|---|
| | 31 December 2018 | 31 December 2017 | | | |
| Bond presented as financial assets as at FVTPL | HK\$29,693,100 (equivalent to RMB24,719,000) | HK\$30,000,000 (equivalent to RMB25,074,000) | Level 1 | Quoted bid prices in an active market | N/A |
| Private equity investments at FVTOCI | RMB1,676,000 | N/A | Level 3 | Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate. | <p>1. Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries, ranging at 2%. (Note i)</p> <p>2. Discount rate, taking into account of weighted average cost of capital (WACC) determined using a Capital Asset Pricing Model, ranging at 14.73%. (Note ii)</p> <p>3. Discount for lack of marketability 20.7% (Note iii)</p> |

Notes:

- (i) A slight increase in the long-term revenue growth rates used in isolation would result in a increase in the fair value measurement of the private equity investments, and vice versa. A 5% increase/decrease in the long-term revenue growth rates holding all other variables constant would increase/decrease the carrying amount of the private equity instruments by RMB122,000.
- (ii) A slight increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the private equity investments and vice versa. A 5% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the private equity investments by RMB240,000.
- (iii) A slight increase in the discount for lack of marketability used in isolation would result in a decrease in the fair value measurement of the private equity investments and vice versa. A 5% increase/decrease in the discount for lack of marketability holding all other variables constant would decrease/increase the carrying amount of the private equity investments by RMB106,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. FINANCIAL INSTRUMENTS *(continued)*

(D) RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

| | Private equity investments at FVTOCI RMB'000 |
|--|---|
| At beginning of the year | – |
| Purchase | 1,440 |
| Fair value change recognised in other comprehensive income | 236 |
| | <hr/> |
| At the end of the year | 1,676 |
| | <hr/> <hr/> |

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | Bank borrowings RMB'000 | Amount due to related companies RMB'000 |
|---|--|--|
| As at 1 January 2017 | 121,800 | 2,258 |
| Financing cash inflows | 154,700 | 145 |
| Financing cash outflows | (160,478) | – |
| Non-cash changes | | |
| Interest accrued | 5,778 | – |
| Reclassification (Notes 35) | (88,800) | – |
| | <hr/> | <hr/> |
| As at 31 December 2017 and 1 January 2018 | 33,000 | 2,403 |
| Financing cash inflows | 8,868 | – |
| Financing cash outflows | (823) | (2,403) |
| Non-cash changes | | |
| Interest accrued | 823 | – |
| Disposal of subsidiaries (Note 36) | (33,000) | – |
| | <hr/> | <hr/> |
| As at 31 December 2018 | 8,868 | – |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

30. OPERATING LEASES

THE GROUP AS LESSEE

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

| | 2018 RMB'000 | 2017 RMB'000 |
|---------------------------------------|-----------------|-----------------|
| Within one year | 1,224 | 1,130 |
| In the second to fifth year inclusive | 152 | 689 |
| | 1,376 | 1,819 |

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.

31. RETIREMENT BENEFITS SCHEMES

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

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

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2018, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to approximately RMB2,119,000 (2017: RMB3,234,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. RELATED PARTY TRANSACTIONS

Such as disclosed in elsewhere of the financial statement, the Group also had the following transactions with its related parties in trade nature and under normal commercial terms during the year:

(A) TRANSACTIONS

| Name of company | Notes | Nature of transaction | 2018 RMB'000 | 2017 RMB'000 |
|--------------------------------|-------|--|-----------------|-----------------|
| Related company: | | | | |
| TVB | i | Films, drama and non-drama production income | 15,494 | – |
| | i | Service income | – | 929 |
| | i | Talent income | – | 381 |
| | i | Films fee | – | (400) |
| | i | Rental expenses | (775) | (267) |
| | i | Talent fee | (2,150) | (1,068) |
| | i | Promotion fee | (5,050) | – |
| TVB Publications Limited | ii | Service fee | – | (2,311) |
| Shaw Brothers Pictures Limited | iii | Service fee | – | (1,680) |
| TVBI Company Limited | iv | Artiste management income | – | 34 |
| Mr. Wong Cho Lam | v | Artiste management income | 11,558 | 10,934 |
| Ms. Li Yanan Leanne | vi | Artiste management income | 550 | 864 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. RELATED PARTY TRANSACTIONS *(continued)*

(A) TRANSACTIONS *(continued)*

Notes:

- (i) The fees were (paid to) received from TVB. TVB had equity interest in the Company; and Mr. Li Ruigang, the chairman, director and substantial shareholder of the Company also held interest and directorship in TVB.
- (ii) The fees were paid to TVB Publications Limited. TVB Publications Limited, a subsidiary of TVB and its subsidiaries ("TVB Group").
- (iii) The fee was paid to Shaw Brothers Pictures Limited, a subsidiary of TVB Group.
- (iv) The fee was received from TVBI Company Limited, a subsidiary of TVB Group.
- (v) Mr. Wong Cho Lam, who is a director and a non-controlling shareholder of Tailor Made Production Limited and indirectly holding 22.5% of the issued shares of Tailor Made Production Limited.
- (vi) Ms. Li Yanan Leanne, who is the spouse of Mr. Wong Cho Lam is deemed to be interest in Tailor Made Production Limited in which Mr. Wong Cho Lam is interested.

During year ended 31 December 2017, the Group had sold a movie interest at cost of approximately RMB3,537,000 (equivalent to HK\$4,000,000) to Shaw Brothers Pictures Limited, a subsidiary of TVB Group. No gain or loss being recognised in profit or loss during the year ended 31 December 2017.

During year ended 31 December 2018, TVB had purchased a movie interest at cost of approximately RMB1,684,000 (equivalent to HK\$2,000,000) from the Group. No gain or loss being recognised in profit or loss during the year ended 31 December 2018.

During year ended 31 December 2017, a movie investment of approximately RMB1,769,000 (equivalent to HK\$2,000,000) was transferred to the Group at cost from FC Movie Company Limited, a subsidiary of TVB.

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

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

| | 2018 RMB'000 | 2017 RMB'000 |
|--------------------------|-----------------|-----------------|
| Short-term benefits | 2,157 | 1,840 |
| Post-employment benefits | 15 | 15 |
| | 2,172 | 1,855 |

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.

(C) BANKING FACILITIES

The director and a non-controlling interest shareholder of Tailor Made Production Limited have provided unlimited personal guarantee for the grant of banking facilities to the Group as disclosed in Note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Notes | 2018 RMB'000 | 2017 RMB'000 |
|--|-------|-----------------|-----------------|
| Non-current assets | | | |
| Property, plant and equipment | | 34 | 455 |
| Interests in subsidiaries | | 1 | 5 |
| | | 35 | 460 |
| Current assets | | | |
| Loan receivable | | – | 6,522 |
| Consideration receivables | | 5,321 | – |
| Trade and other receivables | | 53,117 | 37,370 |
| Deposit paid for potential acquisition | | – | 25,836 |
| Amounts due from subsidiaries | (c) | 243,301 | 126,391 |
| Dividend receivables | | – | 154,903 |
| Financial asset at FVTPL | | 24,719 | 25,074 |
| Bank balances and cash | | 53,825 | 61,844 |
| | | 380,283 | 437,940 |
| Current liabilities | | | |
| Other payables | | 8,865 | 3,131 |
| Amount due to a related company | (a) | – | 2,403 |
| | | 8,865 | 5,534 |
| Net current assets | | 371,418 | 432,406 |
| Total assets less current liabilities | | 371,453 | 432,866 |
| Capital and reserves | | | |
| Share capital | | 12,322 | 12,322 |
| Reserves | (b) | 359,131 | 420,544 |
| Total equity | | 371,453 | 432,866 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

Notes:

(a) Amount due to a related company is unsecured, interest-free and fully repaid during the year.

(b) **Reserves**

| | Share premium | Accumulated losses | Total |
|---|--------------------------|-------------------------------|--------------|
| | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2017 | 750,821 | (329,626) | 421,195 |
| Loss and total comprehensive expense for the year | – | (651) | (651) |
| At 31 December 2017 | 750,821 | (330,277) | 420,544 |
| At 1 January 2018 | 750,821 | (330,277) | 420,544 |
| Loss and total comprehensive expense for the year | – | (61,413) | (61,413) |
| At 31 December 2018 | 750,821 | (391,690) | 359,131 |

(c) Amount due from subsidiaries are unsecured and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(A) GENERAL INFORMATION OF SUBSIDIARIES

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

| Name of subsidiaries | Place/ Country of incorporation or registration/ establishment | Class of shares held | Paid up issued/ registered ordinary share capital | Equity interest and voting power attributable to the Group | | | | Proportion ownership interest held by the Company | | Principal activities |
|---|--|----------------------|---|--|------|----------|------|---|------|---|
| | | | | Direct | | Indirect | | 2018 | 2017 | |
| | | | | 2018 | 2017 | 2018 | 2017 | | | |
| % | % | % | % | % | % | | | | | |
| Shaw Brothers Pictures International Limited 邵氏兄弟國際影業有限公司 | HK 23 March 2016 | Ordinary | HK\$10 | - | - | 100% | 100% | 100% | 100% | Investments in films, drama and non-drama |
| Tailor Made Production Limited 手工藝創作有限公司 | HK 31 March 2016 | Ordinary | HK\$1,000 | - | - | 40% | 40% | 40% | 40% | Artiste and event management |
| Beijing Lanmei Tailor Made Production Limited 北京藍媒手工藝創作文化有限公司* | The PRC 11 May 2017 | Ordinary | HK\$10,000,000 | - | - | 40% | 40% | 40% | 40% | Artiste and event management |

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

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

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

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

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

| Principal activities | Principal place of business | Number of subsidiaries | |
|----------------------|-----------------------------|------------------------|------------------|
| | | 31 December 2018 | 31 December 2017 |
| Investment holding | BVI | 2 | 3 |
| | Hong Kong | 3 | 3 |
| Inactive | The PRC | 4 | 1 |
| | BVI | 1 | 1 |
| | Hong Kong | 4 | 3 |
| | | 14 | 11 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

| Name of subsidiaries | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit (loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|--------------------------------|---|------|--|---------|---------------------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | % | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Tailor Made Production Limited | 60% | 60% | (3,821) | 884 | (6,146) | (2,467) |

Details of the financial information of Amber Jungle Limited (a non-wholly owned subsidiary of the Group that have material non-controlling interest) are set out in Note 35.

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

| Tailor Made Production Limited | 2018 RMB'000 | 2017 RMB'000 |
|---|-----------------|-----------------|
| Current assets | 50,446 | 29,176 |
| Non-current assets | 2,691 | 1,474 |
| Current liabilities | 63,376 | 34,757 |
| Equity attributable to owners of Tailor Made Production Limited | (4,093) | (1,640) |
| Non-controlling interests | (6,146) | (2,467) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

| | 2018 RMB'000 | 2017 RMB'000 |
|---|-----------------|-----------------|
| Revenue | 59,049 | 54,242 |
| Expenses | (65,417) | (52,767) |
| (Loss) profit for the year | (6,368) | 1,475 |
| (Loss) profit and total comprehensive (expense) income attributable to owners of Tailor Made Production Limited | (2,547) | 591 |
| (Loss) profit and total comprehensive (expense) income attributable to the non-controlling interests | (3,821) | 884 |
| (Loss) profit and total comprehensive (expense) income for the year | (6,368) | 1,475 |
| Net cash (outflow) inflow from operating activities | (8,741) | 5,996 |
| Net cash outflow from investing activities | (1,527) | (1,016) |
| Net cash inflow from financing activities | 8,868 | – |
| Net cash (outflow) inflow | (1,400) | 4,980 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

35. DISCONTINUED OPERATION

Pursuant to a sale and purchase agreement dated 26 July 2017, the Group agreed to dispose of the 51% equity interests in Disposal Group to a non-controlling shareholder of the Disposal Group for a total consideration of HK\$41,000,000. On 10 January 2018, the disposal of Disposal Group was completed as the control of Disposal Group was passed to the acquirer.

The results of the Disposal Group are presented in this consolidated financial statement as discontinued operations.

The results of the discontinued operations for the year ended 31 December 2017 and from 1 January 2018 to the date of disposal were as follows:

| | 2018 RMB'000 | 2017 RMB'000 |
|---|-----------------|-----------------|
| Revenue | – | 128,017 |
| Cost of sales | – | (100,186) |
| Gross profit | – | 27,831 |
| Other income | – | 2,246 |
| Selling and distribution expenses | – | (1,819) |
| Administrative expenses | – | (23,032) |
| Other operating expenses | – | (1,558) |
| Finance costs | – | (4,114) |
| Loss before tax | – | (446) |
| Income tax | – | – |
| Loss and total comprehensive expense for the year from discontinued operation | – | (446) |
| Gain on disposal of subsidiaries | 1,050 | – |
| | 1,050 | (446) |
| Profit (loss) and total comprehensive income (expense) for the year from discontinued operation attributable to: | | |
| – Owners of the Company | 1,050 | (226) |
| – Non-controlling interests | – | (220) |
| Profit (loss) and total comprehensive income (expense) for the year from discontinued operation | 1,050 | (446) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

35. DISCONTINUED OPERATION *(continued)*

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

| | 2017 RMB'000 |
|--|-----------------|
| Salaries and allowances | 17,314 |
| Contributions to retirement benefits scheme | 1,781 |
| Total staff costs | 19,095 |
| Gain on disposal of property, plant and equipment | (12) |
| Government grants (Note) | (39) |
| Interest income | (847) |
| Reversal of impairment loss recognised in respect of trade receivable | (664) |
| Cost of inventories recognised as an expense | 97,186 |
| Impairment loss recognised in respect of property, plant and equipment | 1,412 |
| Impairment loss recognised in respect of trade receivables | 4,652 |
| Amortisation of prepaid lease payment | 297 |
| Depreciation of property, plant and equipment | 3,852 |
| Research and development cost | 1,558 |

Note:

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

Condensed consolidated statement of cash flows:

| | 2017 RMB'000 |
|--|-----------------|
| Net cash generated from operating activities | 41,886 |
| Net cash (used in) generated from investing activities | (2,309) |
| Net cash used in financing activities | (4,441) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

35. DISCONTINUED OPERATION *(continued)*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. DISPOSAL OF SUBSIDIARIES

(A) DISPOSAL OF ITS 51% EQUITY INTERESTS IN DISPOSAL GROUP

For details in Note 35, the Group disposed of its entire investment in the Disposal Group on 10 January 2018.

The net assets of Disposal Group at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost

| | |
|--|-------------|
| | RMB'000 |
| Property, plant and equipment | 51,111 |
| Prepaid lease payments | 10,372 |
| Inventories | 13,069 |
| Trade and other receivables | 4,231 |
| Bank balances and cash | 108,487 |
| Trade and other payables | (29,783) |
| Bank borrowings | (88,800) |
| | <hr/> |
| Net assets disposed of | 68,687 |
| | <hr/> <hr/> |
| | RMB'000 |
| Cash consideration | 36,080 |
| Net assets disposed | (68,687) |
| Non-controlling interest | 33,657 |
| | <hr/> |
| Gain on disposal | 1,050 |
| | <hr/> <hr/> |
| | RMB'000 |
| Net cash outflow on disposal of subsidiary | |
| Cash consideration | 36,080 |
| Bank balances and cash | (108,487) |
| | <hr/> |
| | (72,407) |
| | <hr/> <hr/> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. DISPOSAL OF SUBSIDIARIES *(continued)*

(B) DISPOSAL OF ITS 100% EQUITY INTERESTS IN EAST FORUM INTERNATIONAL LIMITED (TOGETHER WITH ITS SUBSIDIARIES COLLECTIVELY REFERRED TO AS “EAST FORUM GROUP”)

Pursuant to a sale and purchase agreement dated 11 June 2018, the Group agreed to dispose of the entire equity interests in East Forum Group to an independent third party for a total consideration of HK\$7,900,000 (equivalent to approximately RMB6,478,000). On 29 June 2018, the disposal of East Forum Group was completed as the control of East Forum Group was passed to the acquirer.

Upon the completion, the Company ceased to hold any interest in East Forum Group. The net assets of East Forum Group at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost

| | |
|--|-------------|
| | RMB'000 |
| Bank balances and cash | 38,677 |
| Bank borrowings | (33,000) |
| | <hr/> |
| Net assets disposed of | 5,677 |
| | <hr/> <hr/> |
| | RMB'000 |
| Cash consideration | 6,478 |
| Net assets disposed | (5,677) |
| | <hr/> |
| Gain on disposal | 801 |
| | <hr/> <hr/> |
| | RMB'000 |
| Net cash outflow on disposal of subsidiary | |
| Cash consideration | 6,478 |
| Consideration receivables (Note) | (5,321) |
| Bank balances and cash | (38,677) |
| | <hr/> |
| | (37,520) |
| | <hr/> <hr/> |

Note: The amount had been subsequently settled.

FINANCIAL SUMMARY

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

RESULTS

(Year ended 31 December)

| | 2018 RMB'000 | 2017 RMB'000 | 2016 RMB'000 | 2015 RMB'000 | 2014 RMB'000 |
|--|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| | | | (Re-presented) | | |
| Revenue | 217,997 | 280,848 | 187,633 | 147,735 | 163,029 |
| – Continuing | 217,997 | 152,831 | 93,855 | N/A | N/A |
| – Discontinued | – | 128,017 | 93,778 | N/A | N/A |
| Gross profit | 68,233 | 63,073 | 29,460 | 8,232 | 16,360 |
| – Continuing | 68,233 | 35,242 | 10,510 | N/A | N/A |
| – Discontinued | – | 27,831 | 18,950 | N/A | N/A |
| Profit/(Loss) and total comprehensive expense for the year | 8,526 | (6,561) | (38,810) | (105,873) | (165,175) |
| – Continuing | 7,476 | (6,115) | (30,225) | N/A | N/A |
| – Discontinued | 1,050 | (446) | (8,585) | N/A | N/A |

ASSETS AND LIABILITIES

(As at 31 December)

| | 2018 RMB'000 | 2017 RMB'000 | 2016 RMB'000 | 2015 RMB'000 | 2014 RMB'000 |
|-------------------|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| Total assets | 459,677 | 625,316 | 621,583 | 395,765 | 585,579 |
| Total liabilities | (47,253) | (187,514) | (177,220) | (147,410) | (231,351) |
| Net assets | 412,424 | 437,802 | 444,363 | 248,355 | 354,228 |

Note:

The comparative figures for the financial year ended 31 December 2014, 2015 reflect the performance of the manufacturing and trading of sporting goods business of the Group in the People's Republic of China (the "PRC"), which was disposed in January 2018.

Focused Artists
焦點藝人

Production
製作



Eddie Cheung
張兆輝



Joe Ma
馬德鐘



Bosco Wong
黃宗澤



Alex Fong
方力申



Michael Wong
王敏德



Hugo Ng
吳岱融



Vincent Wong
王浩信



Wong Cho Lam
王祖藍



Lawrence Cheng
鄭丹瑞



Kent Cheng
鄭則士



Timothy Cheng
鄭子誠



Jeannie Chan
陳滢



Annie Liu
劉心悠



Jacky Cai
蔡潔



Kate Tsui
徐子珊



Susanna Kwan
關菊英



Akina Hong
康華



Rosina Lam
林夏薇



Helena Law
羅蘭

