

Interim
Report
2019



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



Corporate Information	2
Management Discussion and Analysis	3
Other Information	8
Report on Review of Condensed Consolidated Financial Statements	12
Condensed Consolidated Statement of Profit or Loss	13
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
Condensed Consolidated Statement of Financial Position	15
Condensed Consolidated Statement of Changes in Equity	16
Condensed Consolidated Statement of Cash Flows	17
Notes to the Condensed Consolidated Financial Statements	18

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Ruigang

EXECUTIVE DIRECTOR

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
Causeway Bay
Hong Kong

STOCK CODE

00953

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISER TO CAYMAN ISLANDS

Conyers Dill & Pearman, Cayman

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
DBS Bank (Hong Kong) Limited

WEBSITE

www.shawbrotherspictures.com

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Escalating tariffs amid a trade war with the United States and weakening external demand have contributed to a slowdown in the Chinese economy this year. As a result, the performance of the country's entertainment industry has also taken a hit, with China's total box office revenue falling 2.7% to RMB31.2 billion in the first half of 2019, the first such decline since 2011. The industry has been further affected by a tightening of tax regulations and content requirements, leading to fewer TV shows being approved for production last year. Given these developments, the Group remained cautious and braced itself for any headwinds during the reporting period ended 30 June 2019 (the "Period").

On a positive note, one sector of China's entertainment industry that recorded notable growth is online programmes. More and more viewers are tuning into variety shows and other programmes online, with the number of variety shows increasing by almost 40% last year compared to 2016. With its strength in producing high-quality content, the Group is well positioned to ride on the rapid growth of China's online video market. The Group is on track with its strategic development and has allocated substantial resources into its major business segments. It will continue to fine-tune its strategies based on market conditions to maximise growth.

BUSINESS REVIEW

During the Period, the Group's revenue fell to approximately RMB36,367,000, from approximately RMB47,386,000 in the six months ended 30 June 2018. The decrease was mainly due to reduced revenue from the artiste and event management business segment partially as a result of government policy adjustments. Seasonal factors also played a role, as incomes from several major projects would only realise in the second half of the fiscal year. The following table sets out the total revenue of the Group for the first half of 2019 and for the same period in 2018:

	Six months ended 30 June					
	2019			2018		
	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	15,215	18,158	2,994	10,714	35,012	1,660

FILM AND DRAMA AND NON-DRAMA PRODUCTIONS

The Group completed the production of sequels to popular crime and suspense action movie "Line Walker 2" (使徒行者之諜影行動) and cop drama "Flying Tiger 2" (飛虎之雷霆極戰) during the Period. Directed by Jazz Boon (文偉鴻) and starring the same cast as the first installment, the plot of "Line Walker 2" revolves around three police officers – played by Louis Koo (古天樂), Nick Cheung (張家輝) and Francis Ng (吳鎮宇) – uncovering who is the mole of an underground crime organisation that has infiltrated the police force. The movie is expected to be released in Mainland cinemas in August 2019 and will likely generate satisfactory box office results, following the success of the first installment, which grossed over RMB600 million of PRC box office income when it was released in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of drama production, the Group co-produced cop thriller “Flying Tiger 2” with Chinese online video company YOUKU (優酷) during the Period. Headlined by Michael Miu (苗僑偉), Bosco Wong (黃宗澤), Ron Ng (吳卓羲) and Michael Wong (王敏德), the sequel engaged Hollywood actor Lee Pace (“Pushing Daisies”, “The Hobbit” and “Captain Marvel”) to play the role of U.K. special agent Sam Colin to increase the appeal of the drama. “Flying Tiger 2” is expected to air in the fourth quarter of 2019. Going forward, the Group will continue to strengthen its collaboration with leading Chinese online video companies to maximise the distribution and revenue of its future productions.

ARTISTE AND EVENT MANAGEMENT

The Group reported revenue of approximately RMB18,158,000 from artiste and event management in the first half of 2019, a significant decrease from RMB35,012,000 in the corresponding period of 2018. This business segment, however, is expected to recover once market sentiments improve. During the Period, the Group continued to strengthen the foundation of the business segment by recruiting more artistes: the number of artistes under its management has now increased to over 60, 50% more than around 40 in the first half of 2018. Such an increase helps create a richer talent pool for the Group’s self-produced films and internet dramas. To further diversify its business mix and strengthen its market position, the Group continues to explore new artiste alliances with potential Mainland partners and the possibility of producing a greater variety of online programmes to tap into China’s booming online video market.

FINANCIAL REVIEW

During the Period, the Group recorded a revenue of approximately RMB36,367,000, representing a decrease of RMB11,019,000 from approximately RMB47,386,000 for the first half of 2018. Profit for the Period amounted to RMB1,271,000, down from approximately RMB5,916,000 for the first half of 2018. The significant decline was primarily due to reduced revenue from the artiste and event management business segment and partially as a result of government policy adjustments. Seasonal factors also played a role, as incomes from several major projects would only be realised in the second half of 2019. Earnings per share amounted to approximately RMB0.10 cent for the Period (approximately RMB0.35 cent in the first half of 2018).

REVENUE

Investments in film, drama and non-drama productions reported revenue and gross profit of approximately RMB15,215,000 and RMB1,065,000 respectively for the Period, compared to RMB10,714,000 and RMB5,575,000 respectively for the same period in 2018. Artiste and event management generated revenue of RMB18,158,000 for the Period, decreased by RMB16,854,000 from RMB35,012,000 recorded for the first half of 2018, and gross profit of approximately RMB15,818,000, compared to RMB15,652,000 for the same period in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment and geographical information for the period ended 30 June 2019:

	The PRC RMB'000	Hong Kong RMB'000	Total RMB'000
Revenue			
Investments in film, drama and non-drama productions	8,926	6,289	15,215
Artiste and event management	10,416	7,742	18,158
Others	2,994	–	2,994
	22,336	14,031	36,367
Gross profit			
Investments in film, drama and non-drama productions	1,065	–	1,065
Artiste and event management	9,206	6,612	15,818
Others	–	–	–
	10,271	6,612	16,883

COST OF SALES

Cost of sales decreased by approximately RMB5,495,000 to approximately RMB19,484,000 from approximately RMB24,979,000 in the first half of 2018, mainly due to the cost incurred decreased with decline in sales. Costs of investments in film, drama and non-drama productions for the Period amounted to approximately RMB14,150,000 (Corresponding Period of 2018: RMB5,139,000) and the costs incurred for artiste and event management for the Period amounted to approximately RMB2,340,000 (Corresponding Period of 2018: RMB19,360,000).

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the Period rose 3% to approximately RMB3,041,000, from approximately RMB2,950,000 for the first half of 2018, primarily as a result of additional spending on marketing and promotional activities for both the Group and artistes under its management.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period fell 7% to approximately RMB14,811,000, from approximately RMB16,050,000 for the first half of 2018, primarily due to a decrease in overheads of general operation.

INCOME TAX

The Group's income tax expenses were RMB856,000 for the Period (first half of 2018: RMB1,004,000). Details of the income tax are set out in Note 7 to the condensed consolidated financial statements in this report.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE AND OTHER RECEIVABLES AND PROVISION FOR IMPAIRMENT LOSS

Trade receivables from third parties, net of loss allowance, dropped 48% to approximately RMB31,473,000 as at 30 June 2019, from approximately RMB60,638,000 as at 31 December 2018.

Details of trade and other receivables as at 30 June 2019 are set out in Note 12 to the condensed consolidated financial statements in this report.

CONTRACT LIABILITIES

Contract liabilities as at 30 June 2019 amounted to approximately RMB100,844,000 (31 December 2018: RMB10,849,000), mainly representing receipts in advance from film, drama and non-drama projects. Details of contract liabilities as at 30 June 2019 are presented in accordance with HKFRS 15 as set out in Note 17 to the condensed consolidated financial statements of this report.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources and bank borrowings. As at 30 June 2019, bank balances and cash in hand and short-term bank deposits amounted to approximately RMB260,759,000, up RMB125,408,000 from RMB135,351,000 as at 31 December 2018. As at 30 June 2019, the Group's bank and cash balances were denominated in Renminbi, Hong Kong Dollars and United States Dollars.

PLEDGE OF ASSETS

As at 30 June 2019, the Group did not have any pledge of assets (31 December 2018: RMB Nil).

CAPITAL STRUCTURE

As at 30 June 2019, the Group's equity attributable to owners of the Company rose 0.41% to approximately RMB420,731,000 (31 December 2018: approximately RMB419,027,000). Total assets amounted to approximately RMB564,294,000 (31 December 2018: approximately RMB459,677,000), which included current assets amounting to approximately RMB560,795,000 (31 December 2018: approximately RMB456,863,000). Current liabilities were approximately RMB149,964,000 (31 December 2018: approximately RMB47,253,000). Net asset value per share attributable to the owners of the Company as at 30 June 2019 was approximately RMB29.60 cents (31 December 2018: approximately RMB29.50 cents). Current ratio was approximately 3.7 as at 30 June 2019 (31 December 2018: approximately 9.7).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material capital commitments and contingent liabilities.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND NET PROFIT MARGIN

For the Period, profit attributable to the owners of the Company amounted to approximately RMB1,450,000 (first half of 2018: approximately RMB4,916,000). Net profit margin was approximately 3.5% (first half of 2018: approximately 12.5%).

FOREIGN EXCHANGE RISK

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

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

GEARING RATIO

As at 30 June 2019, the Group's interest-bearing bank borrowings amounted to approximately RMB13,186,000 (31 December 2018: approximately RMB8,868,000). The Group's gearing ratio as at 30 June 2019 was approximately 2.3%, which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

INTEREST-BEARING BANK BORROWINGS

As at 30 June 2019, the Group's bank borrowings amounted to approximately RMB13,186,000 (31 December 2018: approximately RMB8,868,000).

HUMAN RESOURCES

As at 30 June 2019, the Group had a total of 66 employees (31 December 2018: 69 employees).

OUTLOOK

China's film industry might be facing more headwinds in the second half of 2019 as box-office attendance across the country showed signs of weakness, with revenues declining 2.7% to RMB31.2 billion for the first six months. A wider economic slowdown amid China's intensifying trade war with the U.S. is expected to further affect consumer disposable income and the industry as a result. While the operating environment has become more challenging, the Group still managed to achieve satisfactory results in the first half of the year. Looking ahead, the Group will continue to develop its main business segments by investing in more films, dramas and non-dramas as well as focusing on artiste and event management. It will also explore more business opportunities arising from China's rapidly expanding online video market.

OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the Period (six months ended 30 June 2018: Nil).

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

As at 30 June 2019, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be noticed to the Company and the Stock Exchange, were as follows:

LONG POSITION IN THE SHARES AND IN THE UNDERLYING SHARES

Name of Director	Capacity/Nature	No. of shares/ underlying shares interested	Approximately percentage of shareholding (Note 1)
Mr. Li Ruigang	Interest of controlled corporation	425,000,000 (Note 2)	29.94%

Notes:

1. The percentage was calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2019, 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 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 a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings. 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.

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

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

As at 30 June 2019, the following persons not being Directors or chief executive of the Company had interests or short positions 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	Approximately percentage of shareholding (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 Inc.	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%
Television Broadcasts Limited ("TVB")	Deemed interest	425,000,000 [#] (Notes 3 and 4)	29.94%
Mr. Xie Qing Yu	Beneficial owner	88,052,000	6.20%

Notes:

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

At 30 June 2019 and according to the information of the corporate/individual substantial shareholder(s) of the Company as shown on the website of the Stock Exchange:

- The percentage was calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2019, which was 1,419,610,000.
- Shine Investment, Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Inc., GLRG Holdings, 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 a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings. 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. 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).
- TVB was deemed to be interested in such 425,000,000 Shares through its interest in Shine Investment (also see Note 4 below).
- 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.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2019, 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.

CORPORATE GOVERNANCE

The Company was in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry with all Directors (including the resigned Directors), all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

CHANGE IN INFORMATION OF DIRECTORS

Subsequent to the publication of the latest biographical details of the Directors of the Company in its 2018 Annual Report and up to the date of this interim report, the following change in Director's information took place which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

On 12 June 2019, Mr. Li Ruigang ceased to be the non-executive director of WPP PLC, a company listed on the London Stock Exchange and the New York Stock Exchange.

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

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

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the Period has not been audited, but has been reviewed by the external auditor of the Company. The Audit Committee of the Company has reviewed with Management the accounting principles and practices adopted by the Group and discussed financial reporting matters, including a review of the unaudited condensed consolidated financial information and the interim report for the Period.

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 of 1 February 2010 (the “Listing Date”) and shall be valid and effective for a period of ten years commencing on 6 January 2010, subject to the early termination provisions contained in the Scheme.

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

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

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

During the Period, no options were granted, exercised, cancelled or lapsed under the Scheme.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

TO THE BOARD OF DIRECTORS OF SHAW BROTHERS HOLDINGS LIMITED

邵氏兄弟控股有限公司

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shaw Brothers Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 13 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

20 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Continuing operation			
Revenue	4	36,367	47,386
Cost of sales		(19,484)	(24,979)
<hr/>			
Gross profit		16,883	22,407
Other income		3,556	2,852
Gain on disposal of subsidiaries	22	–	801
Selling and distribution expenses		(3,041)	(2,950)
Administrative expenses		(14,811)	(16,050)
Other operating expenses		–	(400)
Finance costs	6	(460)	(790)
<hr/>			
Profit before tax		2,127	5,870
Income tax expense	7	(856)	(1,004)
<hr/>			
Profit for the period from continuing operation	8	1,271	4,866
<hr/>			
Discontinued operations			
Profit for the period from discontinued operations	21	–	1,050
<hr/>			
Profit for the period		1,271	5,916
<hr/>			
Profit for the period attributable to owners of the Company:			
– From continuing operation		1,450	3,866
– From discontinued operations	21	–	1,050
<hr/>			
		1,450	4,916
<hr/>			
(Loss) profit for the period attributable to non-controlling interests:			
– From continuing operation		(179)	1,000
– From discontinued operations	21	–	–
<hr/>			
		(179)	1,000
<hr/>			
Profit for the period		1,271	5,916
<hr/>			
Earnings per share			
From continuing and discontinued operations			
– Basic and diluted (RMB cents)	9	0.10	0.35
<hr/>			
From continuing operation			
– Basic and diluted (RMB cents)	9	0.10	0.27
<hr/>			

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit for the period		1,271	5,916
Other comprehensive income for the period			
<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		635	-
Total comprehensive income for the period		1,906	5,916
Total comprehensive income for the period attributable to owners of the Company:			
- From continuing operation		1,704	3,866
- From discontinued operation	21	-	1,050
		1,704	4,916
Total comprehensive income for the period attributable to non-controlling interests:			
- From continuing operation		202	1,000
- From discontinued operation	21	-	-
		202	1,000

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	888	1,138
Equity instruments at fair value through other comprehensive income	15	2,611	1,676
		3,499	2,814
Current assets			
Trade and other receivables	12	78,168	102,865
Consideration receivables	22(b)	–	5,321
Amount due from a related company	18	–	7,519
Investments in films, drama and non-drama	14	91,727	89,588
Films, drama and non-drama productions in progress	14	130,141	91,500
Financial asset at fair value through profit or loss		–	24,719
Bank balances and cash	16	260,759	135,351
		560,795	456,863
Current liabilities			
Trade and other payables	17	30,897	24,457
Contract liabilities	17	100,844	10,849
Amount due to a related company	18	1,102	–
Income tax payables		3,935	3,079
Bank borrowings	19	13,186	8,868
		149,964	47,253
Net current assets		410,831	409,610
		414,330	412,424
Capital and reserves			
Share capital	20	12,322	12,322
Reserves		408,409	406,705
Equity attributable to owners of the Company		420,731	419,027
Non-controlling interests		(6,401)	(6,603)
Total equity		414,330	412,424

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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 loss RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2019	12,322	750,821	94	-	142,000	(486,210)	419,027	(6,603)	412,424
Profit (loss) for the period	-	-	-	-	-	1,450	1,450	(179)	1,271
Other comprehensive loss for the year:									
Fair value gain on investments in equity instruments at fair value through other comprehensive income	-	-	254	-	-	-	254	381	635
Total comprehensive income for the period	-	-	254	-	-	1,450	1,704	202	1,906
At 30 June 2019 (Unaudited)	12,322	750,821	348	-	142,000	(484,760)	420,731	(6,401)	414,330
At 1 January 2018	12,322	750,821	-	47,422	142,000	(546,198)	406,367	31,188	437,555
Profit for the period	-	-	-	-	-	4,916	4,916	1,000	5,916
Disposal of subsidiaries	-	-	-	(47,422)	-	47,422	-	(33,657)	(33,657)
At 30 June 2018 (Unaudited)	12,322	750,821	-	-	142,000	(493,860)	411,283	(1,469)	409,814

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	115,831	88,052
INVESTING ACTIVITIES		
Disposal of subsidiaries	5,321	(131,298)
Repayment from deposit paid for potential acquisition	–	25,836
Repayment from loan receivable	–	6,522
Other investing activities	537	1,138
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	5,858	(97,802)
FINANCING ACTIVITIES		
New bank borrowings raised	4,318	–
Repayment to a related company	–	(2,403)
Other financing activities	(599)	173
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	3,719	(2,230)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	125,408	(11,980)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	135,351	252,709
CASH AND CASH EQUIVALENTS AT 30 JUNE	260,759	240,729

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”) and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3.1.2. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%.

The Group recognises right-of-use asset and measures it at an amount equal to the lease liability.

The following table summarises the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

		Carrying amount previously reported at 31 December 2018 RMB’000	Impact on adoption of HKFRS 16 RMB’000	Carrying amount as restated at 1 January 2019 RMB’000
Right-of-use asset	(a)	–	480	480
Lease liabilities	(a)	–	480	480

Note:

- (a) As at 1 January 2019, right-of-use asset was measured at an amount equal to the lease liability of RMB480,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES *(continued)*

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 16 (continued)*

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4 Determining whether an Arrangement contains a Lease;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

3.1.2 *Change in accounting policy*

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For short-term leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES *(continued)*

3.1.2 *Change in accounting policy (continued)*

Definition of a lease (continued)

Lease liabilities (continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES *(continued)*

3.1.2 *Change in accounting policy (continued)*

Definition of a lease (continued)

Right-of-use asset

The right-of-use asset comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The Group presents right-of-use asset as a separate line item on the condensed consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Impairment loss on tangible assets” policy as stated in the Group’s annual consolidated financial statements for the year ended 31 December 2018.

Lease modification

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

4. REVENUE

An analysis of the Group’s revenue for the period from continuing operation is as follows:

	Six months ended 30 June	
	2019	2018
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Investments in films, drama and non-drama productions income	15,215	10,714
Artiste management services income	17,186	23,735
Event management service income	972	11,277
Others	2,994	1,660
	36,367	47,386

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

5. 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.

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.

SEGMENT REVENUES AND RESULTS

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

Continuing operation

	Investments in films, drama and non-drama productions		Artiste and event management		Others		Total	
	Six months ended 30 June							
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Segment revenue	15,215	10,714	18,158	35,012	2,994	1,660	36,367	47,386
Segment profit (loss)	2,124	8,040	9,588	9,641	(2,876)	(1,636)	8,836	16,045
Unallocated income							3,556	3,653
Unallocated expenses							(10,265)	(13,828)
Profit before tax							2,127	5,870

The accounting policies of the operating segments are the same as the Group’s accounting policies. 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

5. SEGMENT INFORMATION *(continued)*

SEGMENT ASSETS AND LIABILITIES

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
SEGMENT ASSETS		
Investments in films, drama and non-drama and productions in progress	280,405	260,180
Artiste and event management	14,561	27,215
Others	5,070	4,077
Total segment assets	300,036	291,472
Unallocated assets	264,258	168,205
	564,294	459,677
SEGMENT LIABILITIES		
Investments in films, drama and non-drama and productions in progress	120,392	20,813
Artiste and event management	16,386	17,572
Others	–	–
Total segment liabilities	136,778	38,385
Unallocated liabilities	13,186	8,868
	149,964	47,253

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, consideration receivables, financial asset at fair value through profit or loss, equity instruments at fair value through other comprehensive income and bank balances and cash as these assets are managed on a group basis; and
- all liabilities are allocated to operating segments other than bank borrowings as these liabilities are managed on a group basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

5. SEGMENT INFORMATION *(continued)*

INFORMATION ABOUT MAJOR CUSTOMERS

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

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Customer A ¹	5,660	N/A*
Customer B ²	4,022	9,722
Customer C ¹	N/A*	6,634

¹ Revenue from investment in films, drama and non-drama

² Revenue from artiste management

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

6. FINANCE COSTS

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest expenses on bank borrowings wholly repayable within five years	453	790
Interest expenses on lease liabilities	7	–
	460	790

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

7. INCOME TAX

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	529	1,004
Hong Kong Profits Tax	327	–
	856	1,004

- (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 six months ended 30 June 2019.
- (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 the six months ended 30 June 2018 and 2019.

8. PROFIT FOR THE PERIOD

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

Continuing operation

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Directors' emoluments:		
Salaries and allowances	746	617
Contributions to retirement benefits scheme	8	7
	754	624
Staff costs:		
Salaries and allowances	8,282	9,694
Contributions to retirement benefits scheme	791	1,007
	9,073	10,701
Total staff costs	9,827	11,325
Depreciation of property, plant and equipment	318	457
Depreciation of right-of-use asset	113	–
Interest income	(905)	(1,164)
Net fair value gain on financial asset at fair value through profit or loss ("FVTPL")	(77)	(451)
Net foreign exchange gain	(2,094)	(1,237)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

9. EARNINGS PER SHARE

FROM CONTINUING AND DISCONTINUED OPERATIONS

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

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Earnings		
Profit for the purpose of basic and diluted earnings per share	1,450	4,916
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings per share	1,419,610	1,419,610

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2019 and 2018.

FROM CONTINUING OPERATION

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

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Earnings		
Profit for the purpose of basic and diluted earnings per share	1,450	3,866

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

FROM DISCONTINUED OPERATIONS

Basic and diluted earnings per share from the discontinued operation is RMB0.08 cent per share during the six months ended 30 June 2018, based on the profit for the period of approximately RMB1,050,000 and the denominators detailed above for basic and diluted earnings per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

10. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group paid approximately RMB68,000 on addition of property, plant and equipment (six months ended 30 June 2018: RMB26,000).

12. TRADE AND OTHER RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	34,612	63,869
Less: Impairment loss	(3,139)	(3,231)
	31,473	60,638
Other receivables and prepayments	46,695	42,227
Trade and other receivables	78,168	102,865

As at 30 June 2019, the gross amount of trade receivables arising from contracts with customers amounted to RMB34,612,000 (31 December 2018: RMB63,869,000).

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, are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 90 days	4,625	40,887
91 to 180 days	54	3,340
181 to 365 days	26,794	16,411
Total	31,473	60,638

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

The movement in the impairment loss of trade and other receivables is as follows:

	Impairment loss of trade receivables RMB'000	Impairment loss of other receivables RMB'000	Total RMB'000
Balance as at 1 January 2018	234	13	247
Loss allowance recognised	2,997	14	3,011
Balance as at 31 December 2018	3,231	27	3,258
Loss allowance (reversed) recognised	(92)	47	(45)
Balance as at 30 June 2019	3,139	74	3,213

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Investments in films, drama and non-drama	91,727	89,588

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.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Films, drama and non-drama productions in progress	130,141	91,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

14. INVESTMENTS IN FILMS, DRAMA AND NON-DRAMA/FILMS, DRAMA AND NON-DRAMA PRODUCTIONS IN PROGRESS *(continued)*

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.

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

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 (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS *(continued)*

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)			
Bond presented as financial assets as at FVTPL	-	24,719	Level 1	Quoted bid prices in an active market	N/A
Private equity investments at fair value through other comprehensive income ("FVTOCI")	2,611	1,676	Level 3	Income approach	1. Long-term revenue growth rates, ranging at 3%. (31 December 2018: 2%) 2. Weighted average cost of capital determined using a Capital Asset Pricing Model, ranging at 14.00%. (31 December 2018: 14.73%) 3. Discount for lack of marketability 22.4% (31 December 2018: 20.7%)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

	Private equity investments at FVTOCI RMB'000
At 1 January 2018	–
Addition	1,440
Net change in fair value of equity instruments at FVTOCI	236
<hr/>	
At 31 December 2018	1,676
Addition	300
Net change in fair value of equity instruments at FVTOCI	635
<hr/>	
At 30 June 2019	2,611

16. BANK BALANCES AND CASH

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cash at bank and in hand	225,574	88,152
Short term deposits	35,185	47,199
<hr/>		
Total bank balances and cash	260,759	135,351

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

17. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	5,652	12,489
Other payables and accruals	25,245	11,968
Trade and other payables	30,897	24,457
Contract liabilities	100,844	10,849

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 90 days	5,257	11,884
91 to 180 days	136	605
181 to 365 days	259	-
Total	5,652	12,489

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.

During the six months ended 30 June 2019, the contract liabilities increased mainly due to advance billings to the customers for films, drama and non-drama productions. 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 products are given to the customers.

Revenue recognised during the six months ended 30 June 2019 that was included in the contract liabilities as at 31 December 2018 is RMB10,849,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

18. AMOUNT DUE FROM (TO) A RELATED COMPANY

	30 June 2019 RMB'000	31 December 2018 RMB'000
Amount due from (to)		
– Television Broadcasts Limited (“TVB”) (Notes i and ii)	(1,102)	7,519

Notes:

- (i) TVB held equity interest in the Company as at 30 June 2019; and Mr. Li Ruigang, the substantial controlling shareholder and director of the Company also held beneficial interests and directorship in TVB.
- (ii) The amounts are unsecured, interest-free and repayable on demand.

19. BANK BORROWINGS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Bank borrowings repayable within one year:		
Unsecured	13,186	8,868

During the six months ended 30 June 2019, the Group obtained a new bank borrowing of HK\$5,000,000 (equivalent to approximately RMB4,318,000) (Year ended 31 December 2018: RMB8,868,000) to finance the general working capital of the Group. The bank borrowing will be repayable in full in January 2020.

The bank borrowing carried floating rate at Hong Kong Interbank Offered Rate (“HIBOR”) plus 2.8% per annum as at 30 June 2019 and 31 December 2018.

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
HK\$	13,186	8,868

As at 30 June 2019, banking facilities up to the extent of RMB17,580,000 (31 December 2018: RMB17,736,000) were secured by the unlimited personal guarantee provided by a director and a non-controlling shareholder of Tailor Made Production Limited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

20. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2019 '000	31 December 2018 '000	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Ordinary shares of HK\$0.01 each				
<i>Authorised:</i>				
At end of the year	10,000,000	10,000,000	100,000	100,000
	Number of shares		Share capital	
	30 June 2019 '000	31 December 2018 '000	30 June 2019 HK\$'000	31 December 2018 HK\$'000
<i>Issued and fully paid:</i>				
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

21. DISCONTINUED OPERATION

Pursuant to a sale and purchase agreement dated 26 July 2017, the Group agreed to dispose of the 51% equity interests in Amber Jungle Limited and its subsidiaries (collectively referred to as the "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 condensed consolidated statement of profit or loss as discontinued operations.

The results of the discontinued operations from 1 January 2018 to the date of disposal were as follows:

	Six months ended 30 June 2018 RMB'000
Revenue	–
Cost of sales	–
<hr/>	
Gross profit	–
Other income	–
Selling and distribution expenses	–
Administrative expenses	–
Other operating expenses	–
Finance costs	–
<hr/>	
Loss before tax	–
Income tax	–
<hr/>	
Loss and total comprehensive expense for the period from discontinued operation	–
Gain on disposal of subsidiaries (Note 22(a))	1,050
<hr/>	
	1,050
<hr/>	
Profit and total comprehensive income for the period from discontinued operation attributable to:	
– Owners of the Company	1,050
– Non-controlling interests	–
<hr/>	
Profit and total comprehensive income for the period from discontinued operation	1,050
<hr/>	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

22. DISPOSAL OF SUBSIDIARIES

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

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 included in discontinued operation (Note 21)	1,050
	<hr/> <hr/>
	RMB'000
Net cash outflow on disposal of subsidiary	RMB'000
	<hr/>
Cash consideration	36,080
Consideration receivables (Note)	(20,214)
Bank balances and cash	(108,487)
	<hr/>
	(92,621)
	<hr/> <hr/>

Note: The amount had been settled in 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

22. 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/>	
Net cash outflow on disposal of subsidiary	RMB'000
Cash consideration	6,478
Consideration receivables (Note)	(6,478)
Bank balances and cash	(38,677)
<hr/>	
	(38,677)
<hr/> <hr/>	

Note: The amount of RMB1,157,000 and RMB5,321,000 had been settled in 2018 and 2019 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

23. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the condensed consolidated financial statements, the Group also had the following transactions with its related parties in trade nature and under normal commercial terms during the interim period:

(A) TRANSACTIONS

Name of company	Notes	Nature of transaction	Six months ended 30 June	
			2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Related companies:				
TVB	i	Licensing income	–	6,633
		Service fee	–	(4,881)
		Talent fee	(1,387)	–
		Script fee	(863)	–
Mr. Wong Cho Lam	ii	Artiste management income	4,022	9,722
Ms. Li Yanan Leanne	iii	Artiste management income	1,278	448

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) 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.
- (iii) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

23. RELATED PARTY TRANSACTIONS *(continued)*

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors during the period were as follows:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Short-term benefits	746	617
Post-employment benefits	8	7
	754	624

The remuneration of directors 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 19.