



**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**  
**2019**





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## 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

#### REMUNERATION COMMITTEE

Miss Szeto Wai Ling Virginia (Committee Chairman)

Mr. Pang Hong

Mr. Poon Kwok Hing Albert

#### NOMINATION COMMITTEE

Mr. Pang Hong (Committee Chairman)

Mr. Poon Kwok Hing Albert

Miss Szeto Wai Ling Virginia

### 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 AND TRANSFER OFFICE

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  
Standard Chartered Bank (Hong Kong) Limited

### WEBSITE

[www.shawbrotherspictures.com](http://www.shawbrotherspictures.com)

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Shaw Brothers Holdings Limited (the "Company", together with its subsidiaries collectively, the "Group"), I would like to present the Group's financial results and major business developments for the financial year ended 31 December 2019. The profit attributable to owners of the Company increased to RMB17,891,000 from RMB12,566,000 in the previous financial year. The Group's investments in high-quality movies and drama series during the year generated a significant increase in revenue, which more than offset the reduced revenue from the artiste and event management business.

### BUSINESS REVIEW

Following a successful pivot to media entertainment businesses in the last few years, in 2019 the Group continued to utilise its development and production expertise, strategic partnerships and artistes resources to produce high-quality media content. In September 2019, the Group released a co-produced drama titled "Flying Tiger 2" 《飛虎之雷霆極戰》, on Youku (優酷) in Mainland China, a leading Mainland China online video platform. There was strong viewing momentum with hundred millions of hot searches across all streaming platforms in Mainland China. This drama will also be telecasted on the TVB platform in 2020 in Hong Kong and internationally. Another drama series titled "Le crocodile et le pluvian" 《鱷魚與牙籤鳥》 was telecasted in 2019 on major Mainland China TV and online video platforms.

The Group also released two successful movies, "I Love You, You're Perfect, Now Change!" 《你咪理·我愛你!》 and "Line Walker 2: Invisible Spy" 《使徒行者2: 諜影行動》 in Mainland China and Hong Kong in February and August 2019 respectively. "Line Walker 2: Invisible Spy" achieved a box office of RMB650 million in Mainland China, more than the RMB600 million achieved by "Line Walker" 《使徒行者》. The success of this sequel was a testament to our movie production expertise and established another promising franchise for the Group.

Revenue from the artiste and event management business decreased due to a decline in external commercial engagements during the year. The Group now manages around 80 artistes.

## CHAIRMAN'S STATEMENT

### OUTLOOK AND PROSPECT

The Group will continue to grow its media entertainment businesses by focusing on high-quality movies and dramas. In 2020, our co-produced drama "Impossible Three" 《非凡三俠》 will be released on Youku. Building on the success of the "Flying Tiger" franchise, the Group is working on the third drama in the series titled "Flying Tiger 3" 《飛虎之壯志英雄》. We believe our strong development and production expertise and rich talent resources are differentiated advantages in the market which we can leverage to produce successfully self-developed movies and drama series.

The recent outbreak of novel coronavirus pneumonia (COVID-19) has dented the sentiment in Hong Kong and Mainland China's entertainment industry as a whole, and introduced certain near-term challenges to our businesses. Almost all movies, including "Leap" 《奪冠》 in which the Group invested, were not released in theatres during the originally scheduled window of this past Chinese New Year. The shooting of "Flying Tiger 3" has been postponed until the virus outbreak stabilises.

Despite these near-term challenges, the Group remains committed to its core growth strategies. We will continue to collaborate closely with major online platforms to maximise production and distribution synergies. The successes of our movie and drama sequels have started to form a foundation for a valuable intellectual property library. With one of the largest artiste representations in the market, the Group is well-positioned to enhance its productions as well as to explore additional revenue opportunities. We have a very strong financial position with RMB329 million cash on our balance sheet at the end of 2019.

I am confident that our experienced management team will be able to focus on our core strengths, deliver high-quality content and develop high-quality artistes, to build a stronger market position across all of our businesses.

### APPRECIATION

I am thankful to my fellow Board members for their guidance and support. Also, I would like to express my sincere gratitude to our valuable shareholders, business partners and customers for their trust and unwavering support. Finally, I would like to thank the 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 overcome the challenges and create greater value for our shareholders in 2020.

**Shaw Brothers Holdings Limited**

**Li Ruigang**

Chairman

Hong Kong, 24 March 2020

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group's revenue rose from RMB217,997,000 to RMB302,227,000 in 2019, representing an increase of 39%. The following table sets out the revenue of the Group for the year as well as for 2018.

	Year ended 31 December					
	2019			2018		
	Films, drama and non-drama	Artiste and event management	Others	Films, drama and non-drama	Artiste and event management	Others
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	262,851	34,717	4,659	151,548	58,714	7,735

#### Film, Drama and Non-Drama

Riding on the success of "Flying Tiger", the second cop thriller sequel titled "Flying Tiger 2" 《飛虎之雷霆極戰》 headlined by Michael Miu (苗僑偉), Bosco Wong (黃宗澤), Kenneth Ma (馬國明) and Ron Ng (吳卓羲) was co-produced and shown on the platform of the Mainland China partner, namely Youku, in September 2019. It was about a special action team formed specifically for agents to handle cases beyond police protocol. This drama attracted strong viewing momentum with hundred millions of hot searches across all streaming platforms in Mainland China.

A musical comedy movie adapted from the popular Off-Broadway show "I Love You, You're Perfect, Now Change!" 《你咪理·我愛你!》 was released in 2019 Chinese New Year. Comedian Wong Cho-lam (王祖藍) directed and acted in the film with other actors and singers including Eric Tsang (曾志偉), Teresa Mo (毛舜筠) and Ivana Wong (王菀之).

Another film "Line Walker 2: Invisible Spy" 《使徒行者2: 諜影行動》 was an action film directed by Jazz Boon (文偉鴻) and played by Louis Koo (古天樂), Nick Cheung (張家輝) and Francis Ng (吳鎮宇). The movie was released across Mainland China and Hong Kong theatres in August 2019.

Our investment in a TV drama, "Le crocodile et le pluvian" 《鱷魚與牙籤鳥》, was telecasted on major Mainland China TV and video platforms in the second half of 2019.

TV online drama "Impossible Three" 《非凡三俠》 played by Bosco Wong (黃宗澤), Julian Cheung Chi-lam (張智霖) and Chrissie Chau (周秀娜) will be released on Youku platform in 2020. Riding on the success of the "Flying Tiger" drama series, the Group will produce the third "Flying Tiger" sequel titled "Flying Tiger 3" 《飛虎之壯志英雄》 led by Bosco Wong (黃宗澤), Michael Miu (苗僑偉), Ron Ng (吳卓羲), Eddie Cheung (張兆輝) and Joe Ma (馬德鐘). Due to the recent outbreak of coronavirus pneumonia (COVID-19), the shooting of "Flying Tiger 3" has been postponed until the virus outbreak stabilises. "Leap" 《奪冠》 in which the Group invested was postponed to be released both in Hong Kong and Mainland China during the Chinese New Year due to the coronavirus outbreak.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Artiste and Event Management

During the year, the Group reported revenue of approximately RMB34,717,000, representing a decrease of 41%, from artiste and event management business. Currently, there are around 80 artistes under management of the Group.

To explore potential opportunities arising from Mainland China's market, the Group is setting up a subscription-based web portal offering online classes taught by veteran actors and directors on acting, filmmaking and TV production.

### FINANCIAL REVIEW

During the year, the revenue of the Group increased from RMB217,997,000 to RMB302,227,000, representing an increase of 39%. Profit attributable to the owners of the Company from continuing and discontinued operations amounted to RMB17,891,000, (2018: RMB12,566,000). The positive result for the year was mainly due to the increased contribution from films, drama and non-drama. For the year, earnings per share from continuing and discontinued operations amounted to RMB1.260 cents (2018: RMB0.885 cents).

Revenue from films, drama and non-drama increased from RMB151,548,000 to RMB262,851,000 due to higher return from co-produced drama and recognition of film box office income during the year. Artiste and event management service income decreased from RMB58,714,000 to RMB34,717,000 due to a decline in external commercial engagements during the year.

Cost of sales increased by approximately 26% to RMB189,064,000 for the year (2018: RMB149,764,000) due to the recognition of production costs incurred for films, drama and non-drama projects.

Selling and distribution expenses increased by 95% from RMB12,009,000 to RMB23,430,000, primarily as a result of the increase in marketing and promotion activities for the movies released during the year.

Administrative expenses increased by 6% from RMB46,844,000 to RMB49,640,000 for the year, primarily due to the current year exchange losses and the increase in salaries.

Other operating expenses increased by 78% to RMB5,352,000 (2018: RMB3,011,000) due to the increase in provision of the impairment loss of trade receivables.

The income tax expenses for the year increased from RMB2,146,000 to RMB17,563,000 due to the higher profit earned from films, drama and non-drama. Details of income tax expenses are set out in Note 9 to the consolidated financial statements in this report.

Trade receivables from third parties, net of loss allowance, increased from RMB60,638,000 to RMB146,769,000 due to the box office income not yet received from the distributors for the movies released during the year. Details of trade and other receivables as at 31 December 2019 are set out in Note 18 to the consolidated financial statements in this report.

Investment in films, drama and non-drama decreased from RMB89,588,000 to RMB71,340,000 as certain films and drama were telecasted and recognised as costs of sales during the year.

Films, drama and non-drama productions in progress decreased from RMB91,500,000 to RMB31,507,000 as certain films and drama were recognised as costs of sales during the year, and projects under production at the year end date were at the early stage.



## MANAGEMENT DISCUSSION AND ANALYSIS

Trade and other payables increased from RMB24,457,000 to RMB75,808,000 due to the recognition of liabilities relating to the share of box office movie income attributable to the other investors according to their percentages of investment.

Contract liabilities increased from RMB10,849,000 to RMB29,522,000 due to the receipt in advance from a co-production drama.

Amounts due to related parties of RMB26,900,000 (2018: Nil) mainly represented the share of movie box office income attributable to the related parties according to their percentages of investment, and payables related to the artiste and event service income, net of commission income receivable by the Group.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources and bank borrowings. As at 31 December 2019, bank balances and cash increased from RMB135,351,000 to RMB328,836,000. As at 31 December 2019, the Group's bank and cash balances were denominated in RMB, Hong Kong Dollars ("HKD") and United States Dollars ("USD").

### PLEDGE OF ASSETS

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

### CAPITAL STRUCTURE

As at 31 December 2019, the Group's equity attributable to owners of the Company increased by 4% to RMB436,116,000 (2018: RMB419,027,000). Total assets amounted to RMB596,983,000 (2018: RMB459,677,000) which included current assets amounting to RMB595,022,000 (2018: RMB456,863,000). Current liabilities were RMB166,482,000 (2018: RMB47,253,000). Net assets value per share attributable to the owners of the Company as at 31 December 2019 was RMB30.72 cents (2018: RMB29.52 cents). Current ratio was 3.6 as at 31 December 2019 (2018: 9.7).

As at 31 December 2019 and 2018, the number of total issued shares of the Company was 1,419,610,000.

### CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, the Group did not have capital commitments and contingent liabilities.

### SUBSEQUENT EVENT

Since early 2020, the coronavirus epidemic (the "COVID-19 outbreak") has spread across the Mainland China and other countries, and it has affected the entertainment business in the Mainland China and Hong Kong. The Group's revenue, cash flows and profit from the operation are expected to decrease due to the impact from the COVID-19 outbreak.

The Group is still in the process of assessing the impacts of the COVID-19 outbreak on the financial performance and is currently unable to estimate the quantitative impacts to the Group. Management of the Group will pay close attention to the development of the COVID-19 outbreak and perform further assessment of its financial impact.

The COVID-19 outbreak is a non-adjusting event after the financial year and does not result in any adjustments to the consolidated financial statements for the year ended 31 December 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINAL DIVIDEND

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

## FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC and Hong Kong with most of its transactions settled in RMB and HKD. Part of the Group's cash and bank deposits is denominated in RMB, HKD and USD.

During the year, the Group did not hedge any exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against RMB may cause financial impacts on the Group. The Group closely monitors its foreign exchange exposures and uses suitable hedging arrangements, where necessary.

## BANK BORROWINGS AND GEARING RATIO

As at 31 December 2019, the Group interest-bearing bank borrowings due within one year amounted to RMB13,424,000 (2018: RMB8,868,000). The gearing ratio of the Group as at 31 December 2019 was approximately 2.25% (2018: 1.93%), which was derived by dividing interest-bearing debt by total assets.

## HUMAN RESOURCES

As at 31 December 2019, the Group had a total of 62 employees (2018: 69 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 will be 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.

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](http://www.shawbrotherspictures.com).

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

## BOARD OF DIRECTORS

### COMPOSITION OF THE BOARD

The Board currently comprises six Directors (including one executive Director, two non-executive Directors and three independent non-executive 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 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

#### **Resigned Directors**

Mr. Ding Siqiang (resigned on 14 June 2019)

Ms. Ding Xueleng (resigned on 14 June 2019)

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 32 to 34 of this annual report.

## CORPORATE GOVERNANCE REPORT

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A 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.

There are no 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 more than 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 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 Director 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 11 June 2019, Mr. Li Ruigang, Mr. Hui To Thomas and Mr. Pang Hong who retired as Directors at the annual general meeting of the Company held on 11 June 2019 (“2019 AGM”), were successfully re-elected at the said meeting.

On 14 June 2019, Mr. Ding Siqiang and Ms. Ding Xueleng resigned as executive Directors.

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 (except for the alternate Director), 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.

In accordance with Articles 84 of the Articles, Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia will retire as Directors at the forthcoming annual general meeting of the Company to be held in June 2020, and being eligible, will offer themselves for re-election at the said meeting.

## CORPORATE GOVERNANCE REPORT

### 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 Directors resigned during the year) confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year.

### BOARD DIVERSITY POLICY

Pursuant to the code provision of the CG Code 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 23 of this annual 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.

### 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 REPORT

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG 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), 3.10(2) and 3.10A of the Listing Rules. Mr. Pang Hong, Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia are the independent non-executive Directors. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

## BOARD MEETINGS AND PROCEDURES

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

The Board held 4 meetings during the year. At the meetings or by the resolutions in writing, the Board had approved the 2018 annual results; 2019 interim results; reviewed the quarterly performance; approved the change of Board members; approved the renewal of continuing connected transactions and approved the publication of the relevant announcements in connection with the matters in this paragraph as required under the Listing Rules.

## CORPORATE GOVERNANCE REPORT

Details of the attendance<sup>1</sup> 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 2019 AGM held during the year are summarised as follows:

	Type of meetings					2019 AGM
	Board meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	
<b>Directors</b>						
Mr. Li Ruigang	4/4	N/A	N/A	N/A	N/A	1/1
Miss Lok Yee Ling Virginia	4/4	5/5	N/A	N/A	N/A	1/1
Mr. Hui To Thomas	4/4	5/5	N/A	N/A	N/A	1/1
Mr. Pang Hong	4/4	N/A	2/2	1/1	1/1	1/1
Mr. Poon kwok Hing Albert	4/4	N/A	2/2	1/1	1/1	1/1
Miss Szeto Wai Ling Virginia	4/4	N/A	2/2	1/1	1/1	1/1
<b>Resigned Directors</b>						
<b>Directors</b>						
Mr. Ding Siqiang <sup>2</sup>	0/4	N/A	N/A	N/A	N/A	0/1
Ms. Ding Xueleng <sup>2</sup>	0/4	N/A	N/A	N/A	N/A	0/1

Notes:

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

<sup>1</sup> 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.

<sup>2</sup> Mr. Ding Siqiang and Ms. Di Xueleng resigned as executive Directors on 14 June 2019.

### BOARD COMMITTEES

The Board has established specific 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 all Committee meetings in 2019 are set out in the table under the section headed “Board Meetings and Procedures” on page 13 of this Corporate Governance Report.

# CORPORATE GOVERNANCE REPORT

## EXECUTIVE COMMITTEE

The Executive Committee 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 (chairman) and Mr. Hui To Thomas, the non-executive Director.

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.

The Executive Committee held 5 meetings during the year. At the meetings, the Executive Committee reviewed and discussed the quarterly financial and business performance and considered and approved the banking matters.

## AUDIT COMMITTEE

The Audit Committee 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 of which are 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 risk management and internal control systems of the Company.

The Audit Committee held two meetings during the year. At the meetings, the Audit Committee reviewed the 2018 annual results; reviewed the risk management and internal control systems of the Group; and the 2019 interim results of the Group. The Group's annual results for the year had been reviewed by the Audit Committee together with Management and auditor before submission to the Board for approval.

The Audit Committee had also reviewed the announcement of the annual results for 2019 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 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 (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 the executive Director(s), 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 Director 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.



## CORPORATE GOVERNANCE REPORT

The Remuneration Committee held one meeting during the year. At the meeting, the Remuneration Committee reviewed the remuneration policies of the Directors and the Senior Management and review the Directors' fee and the remuneration packages of the executive Director(s) and Senior Management 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 member of Senior Management is within the following band:

	<b>Number of Individual</b>
RMB Nil-RMB1,000,000	1
RMB1,000,001-RMB1,500,000	–

Further details of the Directors' emoluments are set out in Note 11 of the consolidated financial statements in the annual report.

### NOMINATION COMMITTEE

The Nomination Committee 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, 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 with reference to the Board Diversity Policy and the Company's Nomination of Directors Policy, assess the independence of independent non-executive Directors.

The Nomination Committee held one meeting during the year. At the meeting, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors; considered and recommended to the Board the re-election of Directors and other related matters.

# CORPORATE GOVERNANCE 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 CG 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: Analyse 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 2019, no significant risk was identified.

## CORPORATE GOVERNANCE REPORT

### *Internal Control System*

The Company has in place an internal control system to enable the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

- *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 analysing 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 2019, 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 operations and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

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 2019, 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:

<b>Type of services provided</b>	<b>Amount of fees (RMB’000)</b>
Audit services	1,282
Non-audit services (Note)	852
<b>Total</b>	<b>2,134</b>

Note: Non-audit services included mainly the service of reviewing the interim results of the Group for the period ended 30 June 2019, and services of assessing the risk management and 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 2019 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 34 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](http://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.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

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

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

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

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

## CORPORATE GOVERNANCE REPORT

### 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

### ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held in June 2020. The notice of the said meeting will be issued to shareholders accordingly.

### CORONAVIRUS

At the date of this annual report, the coronavirus situation in Hong Kong is still developing and the situation at the time of forthcoming annual general meeting of the Company in June 2020 is difficult to predict.

In the event that the coronavirus situation deteriorates and requires the date and venue of the said meeting to be changed, shareholders will be notified of the revised arrangement and further announcement will be made by the Company on the Company's website ([www.shawbrotherspictures.com](http://www.shawbrotherspictures.com)) and the Stock Exchange's Website ([www.hkexnews.hk](http://www.hkexnews.hk)). Shareholders are advised to read the Company's announcement(s) in relation to the latest arrangement of the said meeting (if any) published on the Company's website and the Stock Exchange's Website before attending the said meeting.

# CORPORATE GOVERNANCE REPORT

## SHAW BROTHERS HOLDINGS LIMITED

### NOMINATION OF DIRECTORS POLICY

#### 1. OBJECTIVE

- 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.



## 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 OBJECTIVES

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, realised or unrealised, 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 authorised 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 9 to 24 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 Listing Rules.

### 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. Therefore, we are committed to communicating with stakeholders in a diversified way, understanding and trying our best to respond to their expectations and requirements, so as to improve our performance in the sustainability strategy.

Stakeholder	Expectations and Requirements	Ways of Communication and Response
Partners	<ul style="list-style-type: none"><li>Operational integrity</li><li>Mutual benefit and win-win</li></ul>	<ul style="list-style-type: none"><li>Business communication</li><li>Negotiation and cooperation</li></ul>
Customers	<ul style="list-style-type: none"><li>High quality products and services</li><li>Performing contract according to laws</li><li>Operational integrity</li></ul>	<ul style="list-style-type: none"><li>Customer communication meetings</li></ul>
Environment	<ul style="list-style-type: none"><li>Energy conservation and emission reduction</li></ul>	
Employees	<ul style="list-style-type: none"><li>Remuneration and benefits</li></ul>	<ul style="list-style-type: none"><li>Employee activities</li></ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ESG GOVERNANCE

The Group believes that sound ESG principles and practices will increase investment value and provide long-term returns to stakeholders. In order to ensure the establishment of appropriate and effective ESG risk management measures and internal control systems, the Board is responsible for overseeing the Group's ESG strategies and reports, and assessing and determining ESG-related risks.

## INFORMATION AND FEEDBACK

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

Shaw Brothers Holdings Limited  
19/F., Leighton Centre  
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Fax no.: (852) 2335-7266

# 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. The Group's 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 did not produce any hazardous wastes.

### EMISSIONS

Indicators	2019	2018
Total greenhouse gas emissions (kg)	<b>33,153</b>	32,670
Scope 1	<b>0</b>	0
Scope 2	<b>15,626</b>	17,264
Scope 3	<b>17,527</b>	15,406
Total greenhouse gas emissions per employee (kg/employee)	<b>975.09</b>	1,053.86
Total non-hazardous wastes <sup>1</sup> (kg)	<b>2,782</b>	2,970
Total non-hazardous wastes per employee (kg/employee)	<b>81.82</b>	95.81
Total hazardous wastes (kg)	<b>0</b>	0
Total hazardous wastes per employee (kg/employee)	<b>0</b>	0

1 The Group has adopted a more accurate statistical method since the Year, and the figures for 2018 have been restated accordingly.

# 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 occurs in the use of electricity in our daily office operation, while the consumption of other resources includes the use of water and paper. The Group's business does not involve the use of any packaging materials. As the office is leased by the Group, water consumption is not able to be collected.

### ENERGY CONSUMPTION

Indicators	2019	2018
Total energy consumption (kWh)	<b>30,639</b>	33,851
Total energy consumption per employee (kWh/employee)	<b>901.15</b>	1,091.97

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 recognises the importance of energy conservation and emission reduction, hence it actively and comprehensively seizes various opportunities of saving resources, and formulates and strictly implements measures that effectively reduce resources waste and control greenhouse gas emissions.

#### Resources Conservation

1. Keep lighting equipment and lights clean to maximise energy efficiency
2. Set lighting switches with isolated control in different lighting zones
3. Adopt energy efficient lighting (e.g. LED)
4. Post labels in the toilets to remind users to save water

#### 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 made of recycled materials
4. Practise waste sorting for paper, metal and plastics recycling
5. Use recyclable toner cartridges/ink cartridges
6. Replace unnecessary overseas business travel with video/audio conference

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## EMPLOYEE FIRST

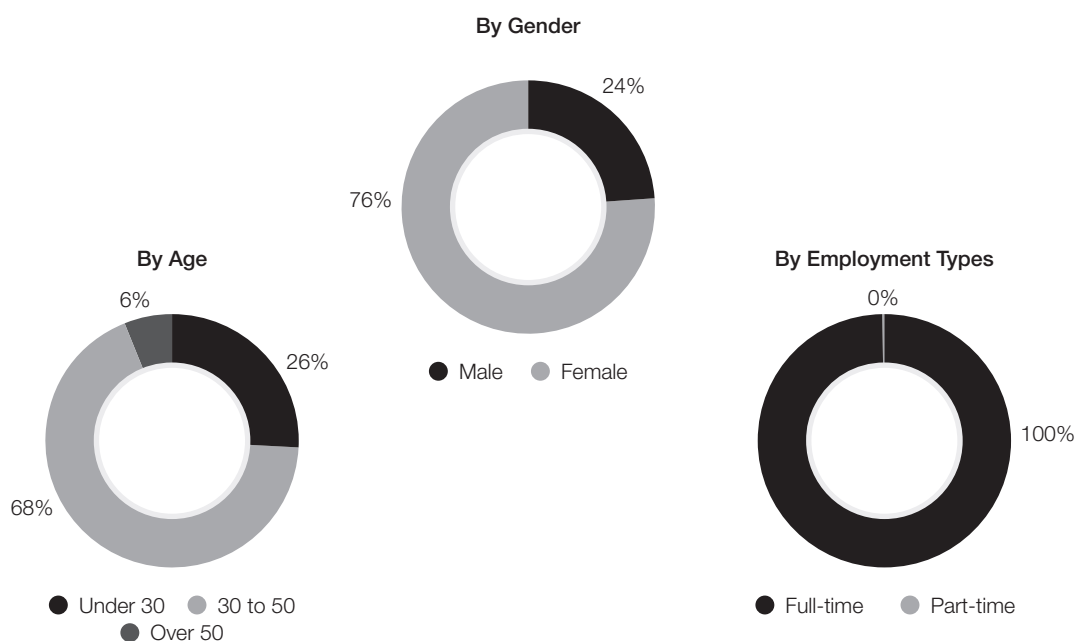
### EMPLOYEES' RIGHTS

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 interview 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 employees' work-life balance and the relationship among colleagues, hence it regularly organises employee 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, we also arranged our employees to participate in the annual group building in Taiwan to strengthen communication and solidarity among employees and enhance their sense of belonging.

During the year, the distribution of employees 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. 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 have 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 recognises work safety as the most important issue. The Group strictly complies with the Occupational Safety and Health Ordinance to ensure that its 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 analyse 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. During the year, the Group and its employees were not involved in any corruption lawsuit.

## 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, we arranged our artists to participate in various types of community charity activities, such as wheelchair float carnivals, charity runs, and visits to orphans in mountain areas. In particular, our artist was invited to be a charity ambassador for the wheelchair float carnival hosted by the Direction Association for the Handicapped. The event combined the wheelchair float exhibition, wheelchair experience and stage performance to publicise the message of a harmonious society to the public with a positive image.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

#### CHAIRMAN AND NON-EXECUTIVE DIRECTOR

**Mr. Li Ruigang**, aged 50, was appointed as the Chairman and Non-executive Director of the Company on 25 October 2016. He is the founding chairman and CEO of CMC Inc. ("CMC"), and founding partner of CMC Capital Partners. Mr. Li has rich operational experience, investment track record and in-depth insight into China's media and entertainment industry. Mr. Li has led CMC to create many industry champions and emerging leaders across the sub-sectors of media, entertainment, lifestyle, technology, and consumer. Mr. Li is the vice chairman and a non-executive director of Television Broadcasts Limited ("TVB"), a substantial shareholder of the Company, which is listed on the main board of the Stock Exchange. Mr. Li is a board member of Special Olympics. Mr. Li was the chairman and president of Shanghai Media Group (SMG). CMC Inc. which is controlled by Mr. Li, is a substantial shareholder of the Company. He holds the share interest of the Company through his interest in CMC Inc. and affiliated companies controlled by him. Mr. Li holds a Master's Degree of Arts and a Bachelor's Degree of Arts of Journalism from Fudan University.

#### EXECUTIVE DIRECTOR

**Miss Lok Yee Ling Virginia**, aged 63, was appointed as an Executive Director of the Company on 29 January 2016. She is the chairman of the Executive Committee. She is the Authorised Representative of the Company. In addition, Miss Lok holds directorships in a number of subsidiaries of the Company. She is currently an Assistant General Manager (Talent Management and Development) of TVB, a substantial shareholder of the Company. 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), Flying Tiger 2 (飛虎之雷霆極戰) 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.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### NON-EXECUTIVE DIRECTOR

**Mr. Hui To Thomas**, aged 47, was appointed as a Non-executive Director of the Company on 25 October 2016. He is a member of the Executive Committee. He is the chief operating officer and an executive director of CMC Inc., a substantial shareholder of the Company. Mr. Hui is also an executive director of TVB, a substantial shareholder of the Company, which is listed on the main board of the Stock Exchange. Mr. Hui was formerly the managing director of Gravity Corporation, a media holding company. Prior to that, Mr. Hui was an independent non-executive director of KingSoft Corporation Limited, which is listed on the main board of the Stock Exchange. Before that, Mr. Hui was the president, chief operation officer and an executive director of GigaMedia Limited, a company listed on the NASDAQ stock market. Prior to that, Mr. Hui also was a non-executive director of JC Entertainment Corporation, a Korean online game company listed on the KOSDAQ stock market. He was an executive director in the investment banking division of Goldman Sachs (Asia) L.L.C., Hong Kong, and an investment banker at Merrill Lynch & Co. as well as serving as a management consultant at McKinsey & Company. Mr. Hui holds a Master's Degree of Engineering in Electrical Engineering from Cornell University and a Bachelor's Degree of Science in Electrical Engineering from the University of Wisconsin, Madison.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Pang Hong**, aged 66, 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. 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 an independent non-executive director of SMI Holdings Group Limited, which is listed on the main board of the Stock Exchange. Mr. Pang was a former independent non-executive director of OCI International Holdings Limited and Sino Haijing Holdings Limited (now known as Ming Lam Holdings Limited), both companies are listed on the main board of the Stock Exchange.

**Mr. Poon Kwok Hing Albert**, aged 58, 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. He is currently an independent non-executive director of the Rosedale Hotel Holdings Limited and Master Glory Group Limited, both companies are listed on the main board of the Stock Exchange. Mr. Poon graduated from the University of Bath, United Kingdom with a Master of Science degree in Business Administration. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Miss Szeto Wai Ling Virginia**, aged 57, 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. She is a solicitor in Hong Kong and a solicitor of the Supreme Court of England and Wales. Miss Szeto was an independent non-executive director of Shunten International (Holdings) Limited, a former chairman and non-executive director of Larry Jewelry International Company Limited, a former executive director of Sino Haijing Holdings Limited (now known as Ming Lam Holdings Limited) and also a former independent non-executive director of SMI Culture Group Holdings Limited. 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. 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.

### SENIOR MANAGEMENT

**Miss Chan Yin Yi Annie**, aged 51, was appointed as the Company Secretary and Authorised Representative of the Company on 29 January 2016. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

## DIRECTORS' REPORT

The Directors are pleased to present to the shareholders this annual report and the audited consolidated financial statements for the year ended 31 December 2019.

### 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 of 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 33 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 8 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 on page 53 of this annual report.

### DIVIDEND POLICY

The Company adopted the Dividend Policy in December 2018. The Dividend Policy is set out on page 24 of this annual report.

### DIVIDEND

The Directors did not declare any interim dividend or recommend final dividend for the year.

### CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 4 June 2020 to Thursday, 11 June 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify shareholders' entitlement 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 registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 3 June 2020.

## DIRECTORS' REPORT

### PLANT AND EQUIPMENT

Details of movements in the 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 2019 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 and liabilities 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 119. 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 25 to the consolidated financial statements in this annual report.

### PRE-EMPTIVE RIGHTS

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

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

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

### TRANSFER TO RESERVES

Profit attributable to equity shareholders, before dividends, of RMB17,891,000 (2018: RMB12,566,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity in this annual report.

### RELATED PARTIES TRANSACTIONS

Details of the related party transactions entered into by the Group in the normal course of business during the year ended 31 December 2019 are disclosed in Note 31 to the consolidated financial statements in this annual report. The Directors consider that certain 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, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 79% of the total sales, with the largest customer accounting for 50% of the aggregate amount of turnover.

Purchases from the Group's five largest suppliers accounted for approximately 52% of the total purchases and purchase from the Group's largest supplier included therein amounted to 18% of the total purchases.

### 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 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

#### **Resigned Directors**

Mr. Ding Siqiang (resigned on 14 June 2019)

Ms. Ding Xueleng (resigned on 14 June 2019)

The Company had received the resignation letters from the respective Resigned Directors confirming that they had no disagreement with the Board and there was nothing relating to the affairs of the Company which needed the attention of the shareholders and that their resignations were due to increasingly heavy commitments to their other businesses.

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

Mr. Li Ruigang, Mr. Hui To Thomas and Mr. Pang Hong retired as Directors at the 2019 AGM, were successfully re-elected at the said meeting.

## **DIRECTORS' REPORT**

Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia will retire as Directors at the forthcoming annual general meeting of the Company to be held in June 2020, and being eligible, will offer themselves for re-election at said meeting.

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 10 of this annual report. Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting 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 9 to 24 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 32 to 34 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 2019.



### INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

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

#### 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 ("CMC", 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 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 and Huaren Wenhua was Mr. Li Ruigang. Mr. Li is the Chairman, a Director and a substantial shareholder of the Company. He 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 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 2019, there were no transactions in relation to the Investment Projects and the Artiste Engagement occurred respectively, the amount in relation to the Investment Projects and the Artistes Engagement for 2019 was nil respectively.

## DIRECTORS' REPORT

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

On 1 September 2016, Tailor Made Production Limited ("Tailor Made") entered into Artiste Management Agreements with each of Good Servant Limited ("Good Servant") and Esther Communications Limited ("Esther Communications") for the engagement of Tailor Made as the sole and exclusive agent of Mr. Wong Cho Lam and his spouse, Ms. 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 Guarantees 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 amounts received by Tailor Made in relation to the Artiste Management Agreement with Good Servant and Esther Communications were approximately RMB21,617,000 and RMB1,367,000 respectively during 2019.

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 39 to 40 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 2019, interest of the Directors (other than independent non-executive Directors) in the company/companies which is/are considered to compete or likely to compete, either directly or indirectly with the principal business of the Group is required to be disclosed pursuant to Rule 8.10 of the Listing Rules are set out below.

Mr. Li Ruigang, the Chairman and a Non-executive Director of the Company, is also a director and/or ultimate controlling shareholder and/or substantial shareholder of CMC, Huaren Wenhua, Flagship Entertainment Group Limited ("Flagship") and TVB which engage in the business of film investment and/or artiste management and/or film production and distribution.

Mr. Hui To Thomas, a Non-executive Director of the Company, is also a director of CMC, Huaren Wenhua, Flagship, TVB and Imagine Tiger Television, LLC which engage in the business of film investment and/or artiste management and/or film production and distribution and/or production of films and television programmes.

Miss Lok Yee Ling Virginia, an Executive Director of the Company, is also an assist general management (talent management and development) of TVB (not a director) which engage in the film investment and artiste management.

The Board (including all independent non-executive Directors) considered that, having taken into account the followings, the interest of the Company and its shareholders are adequately safeguarded:

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

## **DIRECTORS' REPORT**

In addition, since all the major and important corporate actions of the Company are and will be fully considered and determined by the Board, and any Director who is or is deemed to be interested in any proposed transaction will have to fully disclose his/her interest and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the Articles and the Listing Rules from time to time, the Board is of the view that 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, 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 employees in Hong Kong. Particulars of these retirement plans are set out in Note 30 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 2019 amounted to RMB344.4 million.

### **INTEREST BEARING BANK BORROWINGS**

Particulars of interest bearing bank loans of the Group as at 31 December 2019 are set out in Note 24 to the financial statements in this annual report.

## DIRECTORS' REPORT

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

As at 31 December 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 pursuant to Divisions 7 and 8 Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange, 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 31 December 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, 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. CMC was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC. 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, 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 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.

## DIRECTORS' REPORT

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

As at 31 December 2019, 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	Approximately percentage of shareholding (Note 1)
Brilliant Spark	Interest of controlled corporation	425,000,000 <sup>#</sup> (Note 2)	29.94%
Gold Pioneer	Interest of controlled corporation	425,000,000 <sup>#</sup> (Note 2)	29.94%
GLRG Holdings	Interest of controlled corporation	425,000,000 <sup>#</sup> (Note 2)	29.94%
CMC	Interest of controlled corporation	425,000,000 <sup>#</sup> (Note 2)	29.94%
CMC Shine Holdings	Interest of controlled corporation	425,000,000 <sup>#</sup> (Note 2)	29.94%
CMC Shine Acquisition	Interest of controlled corporation	425,000,000 <sup>#</sup> (Note 2)	29.94%
Shine Holdings	Interest of controlled corporation	425,000,000 <sup>#</sup> (Notes 2 and 4)	29.94%
Shine Investment	Beneficial owner	425,000,000 <sup>#</sup> (Notes 2 and 4)	29.94%
TVB	Deemed interest	425,000,000 <sup>#</sup> (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 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.

1. The percentage was calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2019, which was 1,419,610,000.
2. Shine Investment, Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC, 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. CMC was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC 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, 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).
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 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.

### 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.

## DIRECTORS' REPORT

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 2019, the Group employed approximately 62 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 9 to 24 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 themselves for reappointment 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, 24 March 2020

## INDEPENDENT AUDITOR'S REPORT



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

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS 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 (hereinafter collectively referred to as the "Group") set out on pages 53 to 118, which comprise the consolidated statement of financial position as at 31 December 2019, 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 then 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 2019, 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 17 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 judgement 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

24 March 2020

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
<b>Continuing operations</b>			
Revenue	5	<b>302,227</b>	217,997
Cost of sales		<b>(189,064)</b>	(149,764)
<hr/>			
Gross profit		<b>113,163</b>	68,233
Other income	7	<b>3,198</b>	3,039
Gain on disposal of subsidiaries	35(B)	–	801
Selling and distribution expenses		<b>(23,430)</b>	(12,009)
Administrative expenses		<b>(49,640)</b>	(46,844)
Other operating expenses		<b>(5,352)</b>	(3,011)
Finance costs	8	<b>(1,101)</b>	(823)
<hr/>			
Profit before tax		<b>36,838</b>	9,386
Income tax expenses	9	<b>(17,563)</b>	(2,146)
<hr/>			
Profit for the year from continuing operations	10	<b>19,275</b>	7,240
<hr/>			
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	34	–	1,050
<hr/>			
Profit for the year		<b>19,275</b>	8,290
<hr/>			
Profit for the year attributable to owners of the Company:			
– From continuing operations		<b>17,891</b>	11,516
– From discontinued operations	34	–	1,050
<hr/>			
		<b>17,891</b>	12,566
<hr/>			
Profit (loss) for the year attributable to non-controlling interests:			
– From continuing operations		<b>1,384</b>	(4,276)
– From discontinued operations	34	–	–
<hr/>			
		<b>1,384</b>	(4,276)
<hr/>			
Total profit for the year		<b>19,275</b>	8,290
<hr/>			
Earnings per share			
From continuing and discontinued operations			
– Basic and diluted (RMB cent)	13	<b>1.260</b>	0.885
<hr/>			
From continuing operations			
– Basic and diluted (RMB cent)	13	<b>1.260</b>	0.811
<hr/>			

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Profit for the year		<b>19,275</b>	8,290
<b>Other comprehensive income for the year</b>			
<i>Item that will not be reclassified to income statement:</i>			
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income		<b>(2,006)</b>	236
Total comprehensive income for the year		<b>17,269</b>	8,526
Total comprehensive income for the year attributable to owners of the Company:			
– From continuing operations		<b>17,089</b>	11,610
– From discontinued operations	34	–	1,050
		<b>17,089</b>	12,660
Total comprehensive income (expense) for the year attributable to non-controlling interests:			
– From continuing operations		<b>180</b>	(4,134)
– From discontinued operations	34	–	–
		<b>180</b>	(4,134)



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	<b>2019</b> RMB'000	2018 RMB'000
<b>Non-current assets</b>			
Plant and equipment	15	<b>688</b>	1,138
Equity instruments at fair value through other comprehensive income	20	–	1,676
Right-of-use assets	16	<b>1,273</b>	–
		<b>1,961</b>	2,814
<b>Current assets</b>			
Consideration receivable		–	5,321
Trade and other receivables	18	<b>163,339</b>	102,865
Amount due from a related party	23	–	7,519
Investments in films, drama and non-drama	17	<b>71,340</b>	89,588
Films, drama and non-drama productions in progress	17	<b>31,507</b>	91,500
Financial asset at fair value through profit or loss	19	–	24,719
Bank balances and cash	21	<b>328,836</b>	135,351
		<b>595,022</b>	456,863
<b>Current liabilities</b>			
Trade and other payables	22	<b>75,808</b>	24,457
Contract liabilities	22	<b>29,522</b>	10,849
Income tax payables		<b>20,372</b>	3,079
Lease liabilities	16	<b>456</b>	–
Amounts due to related parties	23	<b>26,900</b>	–
Bank borrowings	24	<b>13,424</b>	8,868
		<b>166,482</b>	47,253
<b>Net current assets</b>		<b>428,540</b>	409,610
<b>Total assets less current liabilities</b>		<b>430,501</b>	412,424
<b>Non-current liability</b>			
Lease liabilities	16	<b>808</b>	–
<b>Net assets</b>		<b>429,693</b>	412,424

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Capital and reserves			
Share capital	25	12,322	12,322
Reserves		423,794	406,705
<hr/>			
Equity attributable to owners of the Company		436,116	419,027
Non-controlling interests		(6,423)	(6,603)
<hr/>			
Total equity		429,693	412,424

The consolidated financial statements on pages 53 to 118 were approved and authorised for issue by the board of directors on 24 March 2020 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 2019

	Attributable to the owners of the Company								Total
	Share capital	Share premium	Financial assets measured at fair value through other comprehensive income reserve	Statutory reserve	Other reserves	Accumulated losses	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Note a)	(Note b)				
At 1 January 2018	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 income for the year:									
Fair value gain on investments in equity instruments designated 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 (Note 35)	-	-	-	(47,422)	-	47,422	-	(33,657)	(33,657)
At 31 December 2018 and 1 January 2019	12,322	750,821	94	-	142,000	(486,210)	419,027	(6,603)	412,424
Profit for the year	-	-	-	-	-	17,891	17,891	1,384	19,275
Other comprehensive loss for the year:									
Fair value loss on investments in equity instruments designated at fair value through other comprehensive income	-	-	(802)	-	-	-	(802)	(1,204)	(2,006)
Total comprehensive (expense) income for the year	-	-	(802)	-	-	17,891	17,089	180	17,269
At 31 December 2019	12,322	750,821	(708)	-	142,000	(468,319)	436,116	(6,423)	429,693

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 People's Republic of China (the "PRC") in accordance with the relevant laws and regulations of 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 2019

	2019 RMB'000	2018 RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax from continuing operations	36,838	9,386
Profit before tax from discontinued operations	–	1,050
<hr/>		
Profit before tax	36,838	10,436
Adjustments for:		
Finance costs	1,101	823
Interest income	(2,186)	(2,425)
Depreciation of plant and equipment	575	989
Depreciation of right-of-use assets	275	–
Impairment loss on trade and other receivables	5,352	3,011
Interest income from investment in bond	(105)	(202)
Loss on lease modification	2	–
Gain/(loss) on changes in fair value of financial asset at fair value through profit or loss	(255)	355
Gain on disposal of subsidiaries	–	(1,851)
<hr/>		
Operating cash inflows before movements in working capital	41,597	11,136
Decrease (increase) in films, drama and non-drama investments	18,248	(26,841)
Decrease (increase) in films, drama and non-drama productions in progress	59,993	(26,318)
(Increase) decrease in trade and other receivables	(65,826)	391
Increase (decrease) in trade and other payables	51,351	(2,973)
Increase in contract liabilities	18,673	8,096
Increase (decrease) in amounts due to related parties	26,005	(2,295)
Decrease (increase) in amount due from a related party	7,519	(7,519)
<hr/>		
Cash generated from (used in) operations	157,560	(46,323)
Income tax paid	(270)	(117)
<hr/>		
<b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>157,290</b>	<b>(46,440)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
<b>INVESTING ACTIVITIES</b>			
Purchases of plant and equipment		(125)	(178)
Repayment from a loan receivable		–	6,522
Interests received		2,186	2,425
Interest received from financial asset at fair value through profit or loss		105	202
Proceeds from sales of financial asset at fair value through profit or loss		24,974	–
Purchase of equity instruments at fair value through other comprehensive income		(330)	(1,440)
Net cash inflow (outflow) from disposal of subsidiaries	35	5,321	(109,927)
Refund of deposit paid for potential acquisition		–	25,836
<b>NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES</b>		<b>32,131</b>	<b>(76,560)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment for principal elements of lease liabilities		(286)	–
Interests paid		(1,101)	(823)
New bank borrowings raised		4,556	8,868
Repayment to a related party		–	(2,403)
Advance from a related party		895	–
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>		<b>4,064</b>	<b>5,642</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>193,485</b>	<b>(117,358)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>135,351</b>	<b>252,709</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>328,836</b>	<b>135,351</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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”) on 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 films, drama and non-drama and artiste and event management. The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 33.

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standard (“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 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.

### 2.1 IMPACTS ON ADOPTION OF HKFRS 16 LEASES

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 assets and lease liabilities 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. 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. Comparative information has not been restated and continues to be reported under HKAS 17 “Leases”.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) *(continued)*

### 2.1 IMPACTS ON ADOPTION OF HKFRS 16 LEASES *(continued)*

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

#### *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 (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 assets and measures it at an amount equal to the lease liabilities.

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.

	<b>Carrying amount previously reported at 31 December 2018</b>	<b>Impact on adoption of HKFRS 16</b>	<b>Carrying amount as restated at 1 January 2019</b>
	RMB’000	RMB’000 (Note)	RMB’000 (Note)
Right-of-use assets	–	480	480
Lease liabilities	–	480	480

Note:

As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liabilities of RMB480,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) *(continued)*

#### 2.1 IMPACTS ON ADOPTION OF HKFRS 16 LEASES *(continued)*

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	RMB'000
Operating lease commitment disclosed as at 31 December 2018	1,376
Less: Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(880)
	<hr/> 496
Less: Total future interest expenses	(16)
Lease liabilities recognised as at 1 January 2019	<hr/> <hr/> 480
Current portion	336
Non-current portion	144
	<hr/> <hr/> 480

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

- 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 assets at the date of initial application.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”) *(continued)*

### 2.2 NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>1</sup>
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

## 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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.

#### **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **BASIS OF CONSOLIDATION** *(continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss 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 entities of the Group are eliminated in full on consolidation.

### **PLANT AND EQUIPMENT**

Plant and equipment 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 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 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 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.

### **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### FILMS, DRAMA AND NON-DRAMA PRODUCTIONS IN PROGRESS

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

### CASH AND CASH EQUIVALENTS

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

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

### FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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.

#### *Financial assets*

##### *Classification and subsequent measurement of financial assets*

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.

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 selling and collecting 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 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### FINANCIAL INSTRUMENTS *(continued)*

#### *Financial assets (continued)*

#### *Classification and subsequent measurement of financial assets (continued)*

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/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 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### FINANCIAL INSTRUMENTS *(continued)*

#### *Financial assets (continued)*

#### *Classification and subsequent measurement of financial assets (continued)*

(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.

#### *Impairment of financial assets*

The Group recognises a loss allowance for expected credit loss (“ECL”) on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, consideration receivable, amount due from a related party 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 expected credit losses 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 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### FINANCIAL INSTRUMENTS *(continued)*

#### *Financial assets (continued)*

#### *Impairment of financial assets (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 for a particular debtor, 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).

##### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### FINANCIAL INSTRUMENTS *(continued)*

#### *Financial assets (continued)*

##### *Impairment of financial assets (continued)*

(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 12m 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.

#### *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.

##### *Financial liabilities*

The Group's financial liabilities including trade and other payables, amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

##### *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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### REVENUE FROM CONTRACTS WITH CUSTOMERS

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 or enhances an asset that the customer controls as the asset is created or enhanced; 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 liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

### 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 2019

## 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 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 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### LEASING (ACCOUNTING POLICY APPLICABLE ON OR AFTER 1 JANUARY 2019)

#### *Definition of a lease*

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

#### *The Group as lessee*

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date. The Group recognises right-of-use assets and corresponding lease liabilities 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 these 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 recognises and measures lease liabilities 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.

Lease payments included in the measurement of the lease liabilities 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 liabilities are presented as a separate line in the consolidated statement of financial position.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### LEASING (ACCOUNTING POLICY APPLICABLE ON OR AFTER 1 JANUARY 2019) *(continued)*

#### *The Group as lessee (continued)*

##### *Right-of-use assets*

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

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the 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.

##### *Lease modification*

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liabilities 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.

### LEASING (ACCOUNTING POLICY APPLICABLE PRIOR TO 1 JANUARY 2019)

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 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 33, Tailor Made Production Limited is a subsidiary of the Group even though the Group has only a 40% ownership interests. Tailor Made Production Limited is a private company incorporated in Hong Kong. The Group has had 40% ownership interest when it was 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 and its subsidiaries 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 60% of voting rights and the key management personnel 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 and its subsidiaries.

#### *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 judgement 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. Based on the assessment of the Group's management, the terms of the relevant sales contracts obtained do not create an enforceable right to payment for the Group after taking into various conditions. 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 2019

## 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. Trade receivable with significant balance are assessed for ECL individually. In addition, the Group use provision matrix to calculate ECL for trade receivables which are individually insignificant, the provision rate is based on the Group's historical default rates 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 charges 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 assesses 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 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 based on the estimation of future cash flow. Where the actual future cash flow is 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 17.

## 5. REVENUE

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

	2019 RMB'000	2018 RMB'000
Films, drama and non-drama production	218,833	129,600
Investments in films, drama and non-drama	44,018	21,948
Artiste management services income	31,718	42,306
Event management services income	2,999	16,408
Others	4,659	7,735
	<b>302,227</b>	217,997

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 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 operations during the year ended 31 December 2018 and details are set out in Note 35. The following segment information does not include the discontinued business.

### 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 films, drama and non-drama and artiste and event management.

- (i) Films, drama and non-drama – 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 2019

### 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 operations:

	Films, drama and non-drama		Artiste and event management		Others		Total	
	Year ended 31 December						2019 RMB'000	2018 RMB'000
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000		
Segment revenue	262,851	151,548	34,717	58,714	4,659	7,735	302,227	217,997
Segment profit (loss)	65,028	35,692	5,903	7,009	(2,167)	(2,799)	68,764	39,902
Unallocated income							3,198	3,840
Unallocated expenses							(35,124)	(34,356)
Profit before tax							36,838	9,386

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 costs 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 2019

### 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:

	2019 RMB'000	2018 RMB'000
<b>SEGMENT ASSETS</b>		
Films, drama and non-drama	<b>248,329</b>	260,180
Artiste and event management	<b>8,232</b>	27,215
Others	<b>5,605</b>	4,077
<hr/>		
Total segment assets	<b>262,166</b>	291,472
Unallocated assets	<b>334,817</b>	168,205
<hr/>		
	<b>596,983</b>	459,677
<hr/>		
<b>SEGMENT LIABILITIES</b>		
Films, drama and non-drama	<b>146,664</b>	20,813
Artiste and event management	<b>5,938</b>	17,572
<hr/>		
Total segment liabilities	<b>152,602</b>	38,385
Unallocated liabilities	<b>14,688</b>	8,868
<hr/>		
	<b>167,290</b>	47,253
<hr/>		

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

- all assets are allocated to operating segments other than plant and equipment, consideration receivable, financial asset at FVTPL, equity instruments at FVTOCI, right-of-use assets, 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 lease liabilities as these liabilities are managed on a group basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 6. SEGMENT INFORMATION *(continued)*

#### OTHER SEGMENT INFORMATION

##### Continuing operations:

	Films, drama and non-drama RMB'000	Artiste and event management RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
<b>Year ended 31 December 2019</b>					
<i>Amounts included in the measure of segments results or segment assets:</i>					
Additions to non-current assets (Note)	-	-	-	1,554	1,554
Depreciation of plant and equipment	-	-	-	575	575
Depreciation of right-of-use assets	-	-	-	275	275
<i>Amounts regularly provided to the CODM but not included in the measure of segment result:</i>					
Interest income	-	-	-	(2,186)	(2,186)
Interest income from investment in bond	-	-	-	(105)	(105)
Finance costs	-	-	-	1,101	1,101

Note: Non-current assets excluded equity instruments at FVTOCI.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 6. SEGMENT INFORMATION *(continued)*

#### OTHER SEGMENT INFORMATION *(continued)*

##### Continuing operations: *(continued)*

	Films, drama and non-drama RMB'000	Artiste and event management RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
<b>Year ended 31 December 2018</b>					
<i>Amounts included in the measure of segments results or segment assets:</i>					
Additions to non-current assets (Note)	–	–	–	178	178
Depreciation of plant and equipment	–	–	–	989	989
<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 costs	–	–	–	823	823

Note: Non-current assets excluded equity instruments at FVTOCI.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 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 operations:

	The PRC RMB'000	Hong Kong RMB'000	Total RMB'000
<i>Revenue from external customers</i>			
<b>Year ended 31 December 2019</b>	<b>288,403</b>	<b>13,824</b>	<b>302,277</b>
Year ended 31 December 2018	173,507	44,490	217,997
<i>Non-current assets (Note)</i>			
<b>As at 31 December 2019</b>	<b>138</b>	<b>1,823</b>	<b>1,961</b>
As at 31 December 2018	420	718	1,138

Note: Non-current assets excluded equity instruments at FVTOCI.

#### INFORMATION ABOUT MAJOR CUSTOMERS

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

	2019 RMB'000	2018 RMB'000
Customer A <sup>1</sup>	N/A*	129,600
Customer B <sup>1</sup>	150,000	N/A*
Customer C <sup>1</sup>	57,060	N/A*

<sup>1</sup> 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 2019

### 7. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Net exchange gain	–	305
Interest income	2,186	2,425
Interest income from investment in bond (Note 19)	105	202
Others	907	107
	<b>3,198</b>	3,039

### 8. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interests on:		
Bank borrowings	1,074	823
Lease liabilities	27	–
	<b>1,101</b>	823

### 9. INCOME TAX EXPENSES

	2019 RMB'000	2018 RMB'000
Current tax:		
Hong Kong Profits Tax	11,910	1,970
PRC Enterprise Income Tax (“EIT”)	5,653	176
	<b>17,563</b>	2,146

- (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) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 9. INCOME TAX EXPENSES *(continued)*

- (iii) Tax exemptions represent reduction of Hong Kong Profits Tax for the year of assessment of 2018/19 by 100%, subject to a ceiling of HK\$20,000 per case, and 2019/20 by 100%, subject to a ceiling of HK\$20,000 per case.
- (iv) 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 2019 and 2018.

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

	2019 RMB'000	2018 RMB'000
Profit before tax from continuing operations	<b>36,838</b>	9,386
Tax at the income tax rate of 25% (2018: 25%)	<b>9,210</b>	2,346
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(2,356)</b>	(112)
Tax effect of income not taxable	<b>(2,214)</b>	(651)
Tax effect of non-deductible expenses	<b>11,588</b>	621
Tax effect of tax losses not recognised	<b>1,518</b>	–
Utilisation of tax losses previously not recognised	<b>(165)</b>	(6)
Effect of tax exemption granted	<b>(18)</b>	(52)
Income tax expense for the year	<b>17,563</b>	2,146

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 RMB9,199,000 (2018: RMB961,000) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 10. PROFIT FOR THE YEAR

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

#### Continuing operations

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Salaries and allowances	<b>20,630</b>	19,670
Contributions to retirement benefits scheme	<b>1,866</b>	2,119
<hr/>		
Total staff costs (including directors' emoluments disclosed in Note 11)	<b>22,496</b>	21,789
<hr/>		
Impairment loss on trade and other receivables	<b>5,352</b>	3,011
Exchange loss (gain), net	<b>3,462</b>	(305)
Auditors' remuneration	<b>1,282</b>	1,145
Depreciation of plant and equipment	<b>575</b>	989
Depreciation of right-of-use assets	<b>275</b>	–
Operating lease rentals in respect of office premises (Note)	<b>N/A</b>	1,877
<hr/>		

Note: Operating lease payments in respect of premises for the year ended 31 December 2018 represent payments made and accounted for under HKAS 17. Details of the lease payment made for the period ended 31 December 2019 are set out in Note 16.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors 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				
<b>For the year ended 31 December 2019</b>				
<i>Executive directors:</i>				
Miss Lok Yee Ling Virginia	617	1,054	16	1,687
Mr. Ding Siqiang (Notes a & c)	-	-	-	-
Ms. Ding Xueleng (Notes a & c)	-	-	-	-
	<b>617</b>	<b>1,054</b>	<b>16</b>	<b>1,687</b>
<i>Chairman and non-executive director:</i>				
Mr. Li Ruigang	316	-	-	316
<i>Non-executive director:</i>				
Mr. Hui To Thomas	158	-	-	158
	<b>474</b>	<b>-</b>	<b>-</b>	<b>474</b>
<i>Independent non-executive directors:</i>				
Mr. Pang Hong	158	-	-	158
Mr. Poon Kwok Hing, Albert	158	-	-	158
Miss Szeto Wai Ling Virginia	158	-	-	158
	<b>474</b>	<b>-</b>	<b>-</b>	<b>474</b>
	<b>1,565</b>	<b>1,054</b>	<b>16</b>	<b>2,635</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 11. DIRECTORS' EMOLUMENTS *(continued)*

	Directors' fees RMB'000	Performance bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Emoluments paid in respect of a person's services as a director, whether of the Company and its subsidiary undertakings				
<b>For the year ended 31 December 2018</b>				
<i>Executive directors:</i>				
Miss Lok Yee Ling Virginia	420	877	15	1,312
Mr. Ding Siqiang (Notes a & c)	–	–	–	–
Ms. Ding Xueleng (Notes a & c)	–	–	–	–
	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 (Note b)	–	–	–	–
	1,280	877	15	2,172

Notes:

- (a) The directors agreed to waive their emoluments for the years ended 31 December 2019 and 2018.
- (b) Mr. Gu Jiong has resigned from his position as an alternate director with effect from 1 January 2019.
- (c) Mr Ding Siqiang and Ms. Ding Xueleng have resigned from being executive director on 14 June 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 11. DIRECTORS' EMOLUMENTS *(continued)*

Two (2018: Three) of the directors of the Company as indicated above waived or agreed to waive the aggregate emoluments of RMB158,000 (2018: RMB456,000) paid by the Group for the year ended 31 December 2019.

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 2019 and 2018.

The remuneration of directors 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 (2018: one) was the director of the Company whose emolument is set out in Note 11 above. The emoluments of the remaining four (2018: four) highest paid individuals were as follows:

	<b>2019</b> <b>RMB'000</b>	2018 RMB'000
Salaries, allowances, and other benefits	<b>3,792</b>	3,857
Contributions to retirement benefits scheme	<b>59</b>	61
	<b>3,851</b>	3,918

Their emoluments were within the following bands:

	<b>2019</b> <b>Number of</b> <b>individuals</b>	2018 Number of individuals
Nil to HK\$1,000,000 (equivalent to approximately RMB878,000 (2018: RMB842,000))	<b>3</b>	2
HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately RMB878,001 to RMB1,317,000) (2018: RMB842,001 to RMB1,263,000)	–	1
HK\$1,500,001 to HK\$2,000,000 (equivalent to approximately RMB1,317,001 to RMB1,756,000) (2018: RMB1,263,001 to RMB1,684,000)	<b>1</b>	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 2019 and 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 13. EARNINGS PER SHARE

#### FROM CONTINUING AND DISCONTINUED OPERATIONS

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

	2019 RMB'000	2018 RMB'000
<b>Earnings</b>		
Profit for the purpose of basic and diluted earnings per share	17,891	12,566
<b>Number of shares</b>		
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 years ended 31 December 2019 and 2018.

#### FROM CONTINUING OPERATIONS

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

	2019 RMB'000	2018 RMB'000
<b>Earnings</b>		
Profit for the purpose of basic and diluted earnings per share from continuing operations	17,891	11,516

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

#### FROM DISCONTINUED OPERATIONS

Basic and diluted earnings per share from the discontinued operations is RMB0.074 cent per share, based on the profit for the year ended 31 December 2018 from the discontinued operations of approximately RMB1,050,000 and the denominators detailed above for basic and diluted earnings per share. No discontinued operations during the year ended 31 December 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 14. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

### 15. PLANT AND EQUIPMENT

	Machineries RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST				
At 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
Additions	–	125	–	125
At 31 December 2019	–	2,629	–	2,629
ACCUMULATED DEPRECIATION				
At 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
Provided for the year	–	575	–	575
At 31 December 2019	–	1,941	–	1,941
NET CARRYING AMOUNTS				
<b>At 31 December 2019</b>	<b>–</b>	<b>688</b>	<b>–</b>	<b>688</b>
At 31 December 2018	–	1,138	–	1,138

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

Machineries	10 years
Office equipment	3 to 5 years
Motor vehicles	5 years

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 16. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

#### (I) RIGHT-OF-USE ASSETS

	<b>31 December 2019 RMB'000</b>	1 January 2019 RMB'000
Office premises	<b>1,273</b>	480

The Group has lease arrangements for office premises. The lease terms are generally ranged from two to three years.

Additions to the right-of-use assets for the year ended 31 December 2019 amounted to RMB1,429,000 due to new leases of office premises.

#### (II) LEASE LIABILITIES

	<b>31 December 2019 RMB'000</b>	1 January 2019 RMB'000
Non-current	<b>808</b>	144
Current	<b>456</b>	336
	<b>1,264</b>	480

	<b>31 December 2019 RMB'000</b>
Amount payable under lease liabilities	
Within one year	<b>456</b>
After one year but within two years	<b>808</b>
	<b>1,264</b>

During the year ended 31 December 2019, the Group entered into a new lease agreement in respect of renting properties and recognised lease liabilities of RMB1,429,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 16. RIGHT-OF-USE ASSETS/LEASE LIABILITIES *(continued)*

#### (III) AMOUNTS RECOGNISED IN PROFIT OR LOSS

	<b>31 December 2019 RMB'000</b>
Depreciation expenses on right-of-use assets – office premises	<b>275</b>
Interest expenses on lease liabilities	<b>27</b>
Expenses relating to short-term lease	<b>2,133</b>

#### (IV) OTHERS

During the year ended 31 December 2019, the total cash outflow for lease amount to RMB2,446,000.

During the year ended 31 December 2019, the Group had lease modification in respect of shorten the lease term on a lease arrangement of an office premises. The right-of-use asset for RMB361,000 and the lease liability for RMB359,000 as at the date of lease modification were derecognised. Loss on lease modification of RMB2,000 had been recognised during the year ended 31 December 2019.

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

	<b>2019 RMB'000</b>	2018 RMB'000
Investments in films, drama and non-drama	<b>71,340</b>	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.

	<b>2019 RMB'000</b>	2018 RMB'000
Films, drama and non-drama productions in progress	<b>31,507</b>	91,500

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 2019

### 18. TRADE AND OTHER RECEIVABLES

	<b>2019</b> <b>RMB'000</b>	2018 RMB'000
Trade receivables	<b>155,352</b>	63,869
Less: Allowance for impairment of trade receivables	<b>(8,583)</b>	(3,231)
	<b>146,769</b>	60,638
Other receivables and deposits	<b>3,482</b>	3,294
Prepayments	<b>13,088</b>	38,933
	<b>163,339</b>	102,865

As at 31 December 2019, the gross amount of trade receivables arising from contracts with customers amounted to RMB155,352,000 (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 customers. At the end of the reporting period, the aged analysis of trade receivables, net of impairment loss recognised presented based on the invoice dates, which approximated the respective revenue recognition dates, are as follows:

	<b>2019</b> <b>RMB'000</b>	2018 RMB'000
Within 90 days	<b>137,726</b>	40,887
91 to 180 days	<b>7,442</b>	3,340
Over 181 days	<b>1,601</b>	16,411
Total	<b>146,769</b>	60,638

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated individually for debtors with significant balance and collectively for remaining debtors 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 18. TRADE AND OTHER RECEIVABLES *(continued)*

The estimated loss rates are estimated based on historical default experience and 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 RMB155,352,000 (2018: RMB63,869,000) as at 31 December 2019, based on individually assessment for significant debtors and collectively for remaining debtors by applying expected credit loss rates ranging from 2.6% to 11.9% (2018: from 0.1% to 5.1%). Impairment loss of RMB8,583,000 (2018: RMB3,231,000) is made as at 31 December 2019. The directors of the Company consider that the increase in expected credit loss rates is mainly due to economic condition of the industry.

The Group measured 12m ECL on other receivables and the impairment loss of RMB27,000 is made as at 31 December 2018 and 2019.

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

	<b>Impairment loss of trade receivables</b>	<b>Impairment loss of other receivables</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2018	234	13	247
Loss allowance recognised	2,997	14	3,011
<hr/>			
Balance as at 31 December 2018 and 1 January 2019	3,231	27	3,258
Loss allowance recognised	5,352	–	5,352
<hr/>			
Balance as at 31 December 2019	8,583	27	8,610

There has been no change in the estimation techniques or significant assumptions made.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 19. FINANCIAL ASSET AT FVTPL

	2019 RMB'000	2018 RMB'000
Government bond with fixed interest rate of 0.8% and maturity date in May 2019	–	24,719

The bond was traded in active market and stated at fair value as at 31 December 2018. The fair value was determined by reference to market bid prices quoted by financial institutions. During the year ended 31 December 2019, the financial asset at FVTPL was redeemed.

### 20. EQUITY INSTRUMENTS AT FVTOCI

	2019 RMB'000	2018 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 instruments at FVTOCI are as follows:

	RMB'000
At 31 December 2017	–
Addition	1,440
Change in fair value of equity instruments at FVOCI	236
At 31 December 2018	1,676
Addition	330
Change in fair value of equity instruments at FVOCI	(2,006)
At 31 December 2019	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 21. BANK BALANCES AND CASH

Bank balances and bank deposits carried interest at market rates which ranged from 0.001% to 2.700% (2018: 0.001% to 3.800%) per annum. As at 31 December 2019, approximately RMB106,393,000 (2018: RMB54,456,000) of the bank deposits and bank balances and cash of the Group were denominated in HK\$ and approximately RMB25,250,000 (2018: approximately RMB441,000) 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.

### 22. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Trade payables	69,118	12,489
Other payables	1,845	7,395
Accrued payroll and staff welfare	4,845	4,573
	6,690	11,968
Trade and other payables	75,808	24,457
Contract liabilities	29,522	10,849

Included in balance of accrued payroll and staff welfare, there is approximately RMB1,054,000 director's remuneration payable to Miss Lok Yee Ling Virginia as at 31 December 2019 (2018: approximately RMB877,000).

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

	2019 RMB'000	2018 RMB'000
Within 90 days	58,045	11,884
91 to 180 days	11,073	605
Total	69,118	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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Contract liabilities mainly represent advance billings to the customers for films, drama and non-drama production (2018: 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 products or services are transferred or rendered.

Revenue recognised during the year ended 31 December 2019 that was included in the contract liabilities at the beginning of the year is RMB9,772,000. (2018: RMB2,753,000)

### 23. AMOUNT(S) DUE FROM (TO) RELATED PARTY(IES)

#### A) AMOUNT DUE FROM A RELATED PARTY

	2019 RMB'000	2018 RMB'000	Maximum amount outstanding during 2019 RMB'000	2018 RMB'000
Amount due from				
– TVB (Note i)	–	7,519	7,519	15,494

#### B) AMOUNTS DUE TO RELATED PARTIES

	2019 RMB'000	2018 RMB'000
Amounts due to		
– TVB (Note i)	11,746	–
– Good Servant Production Ltd (Note ii and iv)	892	–
– Mr. Wong Cho Lam (Note ii)	14,030	–
– Ms. Li Yanan Leanne (Note iii)	232	–
	<b>26,900</b>	–

Notes:

- i. TVB held equity interest in the Company as at 31 December 2019, and Mr. Li Ruigang, the substantial shareholder and director of the Company also held beneficial interests and directorship in this company.
- ii. As at 31 December 2019, Mr. Wong Cho Lam, who is a director and a non-controlling shareholder of Tailor Made Production Limited, hold 100% equity interests of Good Servant Production Ltd.
- 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.
- iv. The amounts are unsecured, interest-free and repayable on demand.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 24. BANK BORROWINGS

	2019 RMB'000	2018 RMB'000
Bank borrowings repayable contain a repayable on demand clause:		
Unsecured	<b>13,424</b>	8,868

During the year ended 31 December 2019, the Group obtained bank borrowing of HK\$5,000,000 (equivalent to approximately RMB4,556,000) (2018: RMB8,868,000) to finance the general working capital of the Group.

The bank borrowing carried floating rate at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.8% per annum (2018: floating rate: "HIBOR" plus 2.8%) as at 31 December 2019.

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

	2019 RMB'000	2018 RMB'000
HK\$	<b>13,424</b>	8,868

As at 31 December 2019, bank borrowings and banking facilities were secured by the unlimited personal guarantee provided by a director and a non-controlling shareholder of Tailor Made Production Limited.

### 25. SHARE CAPITAL

	Number of shares		Share capital	
	2019 '000	2018 '000	2019 HK\$'000	2018 HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At end of the year	<b>10,000,000</b>	10,000,000	<b>100,000</b>	100,000

	Number of shares		Share capital	
	2019 '000	2018 '000	2019 HK\$'000	2018 HK\$'000
Issued and fully paid:				
At end of the year	<b>1,419,610</b>	1,419,610	<b>14,196</b>	14,196
			RMB'000	RMB'000
Presented as			<b>12,322</b>	12,322

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 26. 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.

### 27. FINANCIAL INSTRUMENTS

#### (A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2019 RMB'000	2018 RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost	479,087	212,123
Financial asset at FVTPL	–	24,719
Equity instruments at FVTOCI	–	1,676
	<b>479,087</b>	<b>238,518</b>
<b>Financial liabilities</b>		
Liabilities measured at amortised cost	116,132	33,325

#### (B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, consideration receivable, amount due from a related party, financial asset at FVTPL, equity instruments designated at FVTOCI, bank balances and cash, trade and other payables, lease liabilities, amounts due to related parties 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 27. FINANCIAL INSTRUMENTS *(continued)*

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

#### *Market risk*

#### *(i) Foreign currency risk*

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

The Group's bank borrowings and certain bank balances 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.

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

	2019		2018	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
HK\$	106,393	13,424	54,456	8,868
USD	6,297	–	441	–

#### 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% (2018: 5%) increase and decrease in RMB against HK\$ and USD for the year ended 31 December 2019. 5% (2018: 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% (2018: 5%) change in foreign currency rates.

A negative number below indicates a decrease in profit before tax for the year where RMB strengthen 5% (2018: 5%) against the relevant currency. For a 5% (2018: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit before tax for the year.

	2019 RMB'000	2018 RMB'000
Pre-tax profit	(4,963)	(2,301)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 27. 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 management considered that the Group does not have material interest rate risk exposure and hence no sensitivity analysis is presented.

#### *Credit risk*

As at 31 December 2019, 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. 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 54% (2018: 53%) and 62% (2018: 66%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 27. 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 and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease 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.

	On demand or within one year RMB'000	One to five years RMB'000	Total undiscounted cashflow RMB'000	Carrying amount RMB'000
<b>At 31 December 2019</b>				
<b><i>Non-derivative financial liabilities</i></b>				
Trade and other payables	75,808	-	75,808	75,808
Bank borrowings	13,424	-	13,424	13,424
Amounts due to related parties	26,900	-	26,900	26,900
	<b>116,132</b>	<b>-</b>	<b>116,132</b>	<b>116,132</b>
Lease liabilities	501	837	1,338	1,264
<b>At 31 December 2018</b>				
<b><i>Non-derivative financial liabilities</i></b>				
Trade and other payables	24,457	-	24,457	24,457
Bank borrowings	8,868	-	8,868	8,868
	33,325	-	33,325	33,325

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 27. 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 2019	31 December 2018			
Bond presented as financial assets as at FVTPL	-	HK\$29,693,100 (equivalent to RMB24,719,000)	Level 1	Quoted bid prices in an active market	N/A
Private equity investments at FVTOCI	-	RMB1,676,000	Level 3	Income approach – under 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.	<ol style="list-style-type: none"> <li>1. Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries, ranging at 3% (2018: 2%). (Note i)</li> <li>2. Discount rate, taking into account of weighted average cost of capital (WACC) determined using a Capital Asset Pricing Model, ranging at 12% (2018: 14.73%). (Note ii)</li> <li>3. Discount for lack of marketability 20.6% (2018: 20.7%) (Note iii)</li> </ol>

Notes:

- 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 investments by RMB122,000 in 2018. As at 31 December 2019, the directors of the Company considered that the exposures to sensitivity on private equity investments are insignificant, so there is no sensitivity analysis was presented.
- 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 in 2018. As at 31 December 2019, the directors of the Company considered that the exposures to sensitivity on private equity investments are insignificant, so there is no sensitivity analysis was presented.
- 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 in 2018. As at 31 December 2019, the directors of the Company considered that the exposures to sensitivity on private equity investments are insignificant, so there is no sensitivity analysis was presented.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 27. FINANCIAL INSTRUMENTS *(continued)*

#### (D) RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

	<b>Equity investments at FVTOCI RMB'000</b>
At 1 January 2018	–
Purchase	1,440
Fair value change recognised in other comprehensive income	236
<hr/>	
At 31 December 2018	1,676
Purchase	330
Fair value change recognised in other comprehensive income	(2,006)
<hr/>	
At 31 December 2019	–
<hr/> <hr/>	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 28. 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.

	<b>Lease liabilities</b>	<b>Bank borrowings</b>
	RMB'000	RMB'000
As at 31 December 2017	–	33,000
Financing cash inflows	–	8,868
Financing cash outflows	–	(823)
Non-cash changes		
Interest charge	–	823
Disposal of subsidiaries (Note 35)	–	(33,000)
As at 31 December 2018	–	8,868
Effect on adoption of HKFRS 16	480	–
As at 1 January 2019	<b>480</b>	<b>8,868</b>
Financing cash inflows	–	<b>4,556</b>
Financing cash outflows	<b>(313)</b>	<b>(1,074)</b>
Non-cash changes		
New lease arrangement	<b>1,429</b>	–
Interest charge	<b>27</b>	<b>1,074</b>
Lease modification	<b>(359)</b>	–
As at 31 December 2019	<b>1,264</b>	<b>13,424</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 29. 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
Within one year	1,224
In the second to fifth year inclusive	152
	<hr/> <hr/> 1,376

As at 31 December 2018, 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.

The Group is the lessee in respect of a property which the leases were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in Note 3, and the details regarding the Group's future lease payments are disclosed in Note 16.

## 30. 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 2019, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to approximately RMB1,866,000 (2018: RMB2,119,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 31. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the financial statement, the Group also had the following transactions with its related parties during the year:

#### (A) TRANSACTIONS

Name of company	Notes	Nature of transaction	2019 RMB'000	2018 RMB'000
Related party:				
TVB	i	Films, drama and non-drama production income	–	15,494
	i	Talent income	25	–
	i	Rental expenses under short-term leases	(368)	(375)
	i	Talent fee	(6,954)	(2,150)
	i	Promotion fee	(88)	(5,050)
	i	Service fee	(243)	–
	i	License fee	(878)	–
TVB Publications Limited	ii	Service fee	(2,737)	–
TVBI Company Limited	iii	Promotion fee	(351)	(418)
Mr. Wong Cho Lam	iv	Artiste management income*	21,617	11,558
Ms. Li Yanan Leanne	v	Artiste management income*	1,367	550

\* These are regarded as continuing connected transactions as defined under Main Board Listing Rules.

Notes:

- i. The fees were received (paid to) 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 fee was paid to TVB Publications Limited, a subsidiary of TVB Group.
- iii. The fee was paid to TVBI Company Limited, a subsidiary of TVB Group.
- iv. 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.
- v. 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 31. RELATED PARTY TRANSACTIONS *(continued)*

#### (A) TRANSACTIONS *(continued)*

During year ended 31 December 2019, TVB had purchased a movie interest at cost of approximately RMB10,739,000 (2018: RMB1,684,000) from the Group. No gain or loss being recognised in profit or loss during the year ended 31 December 2019 and 2018.

During year ended 31 December 2019, TVB had purchased a television drama license at cost of approximately RMB2,103,000 from the Group. No gain or loss being recognised in profit or loss during the year ended 31 December 2019.

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:

	2019 RMB'000	2018 RMB'000
Short-term benefits	6,411	6,014
Post-employment benefits	75	76
	<b>6,486</b>	6,090

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

A director and a non-controlling 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 2019

### 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 RMB'000	2018 RMB'000
<b>Non-current assets</b>			
Plant and equipment		25	34
Interests in subsidiaries		1	1
		<b>26</b>	35
<b>Current assets</b>			
Consideration receivables		–	5,321
Trade and other receivables		265	53,117
Amounts due from subsidiaries	(b)	350,668	243,301
Financial asset at FVTPL		–	24,719
Bank balances and cash		11,633	53,825
		<b>362,566</b>	380,283
<b>Current liabilities</b>			
Other payables		3,265	6,558
Income tax payable		2,618	2,307
		<b>5,883</b>	8,865
<b>Net current assets</b>		<b>356,683</b>	371,418
<b>Total assets less current liabilities</b>		<b>356,709</b>	371,453
<b>Capital and reserves</b>			
Share capital		12,322	12,322
Reserves	(a)	344,387	359,131
<b>Total equity</b>		<b>356,709</b>	371,453



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

#### (a) Reserves

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
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
At 1 January 2019	750,821	(391,690)	359,131
Loss and total comprehensive expense for the year	–	(14,744)	(14,744)
At 31 December 2019	750,821	(406,434)	344,387

(b) Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

### 33. 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 attributable to the Group		Proportion ownership interest held by the Company		Principal activities
				Indirect				
				2019 %	2018 %	2019 %	2018 %	
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 and artiste and event management
Tailor Made Production Limited 手工藝制作有限公司	HK 31 March 2016	Ordinary	HK\$1,000	40%	40%	40%	40%	Investments in films, drama and non-drama and artiste and event management

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

#### (A) GENERAL INFORMATION OF SUBSIDIARIES *(continued)*

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 2019	31 December 2018
Investment holding	BVI	2	2
	Hong Kong	3	3
Inactive	The PRC	4	4
	BVI	1	1
	Hong Kong	6	4
		<b>16</b>	14

#### (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 held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2019	2018	2019	2018	2019	2018
	%	%	RMB'000	RMB'000	RMB'000	RMB'000
Tailor Made Production Limited	60%	60%	1,129	(3,821)	(5,844)	(6,146)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

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

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.

<b>Tailor Made Production Limited</b>	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Current assets	<b>83,472</b>	50,446
Non-current assets	<b>559</b>	2,691
Current liabilities	<b>93,266</b>	63,376
Equity attributable to owners of Tailor Made Production Limited	<b>(3,351)</b>	(4,093)
Non-controlling interests	<b>(5,884)</b>	(6,146)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

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

	2019 RMB'000	2018 RMB'000
Revenue	<b>79,766</b>	59,049
Expenses	<b>(77,354)</b>	(65,417)
Profit (Loss) for the year	<b>2,412</b>	(6,368)
Profit (Loss) attributable to owners of Tailor Made Production Limited	<b>1,282</b>	(2,547)
Profit (Loss) attributable to the non-controlling interests	<b>1,129</b>	(3,821)
Profit (Loss) for the year	<b>2,412</b>	(6,368)
Net cash inflow (outflow) from operating activities	<b>3,059</b>	(8,741)
Net cash outflow from investing activities	<b>(337)</b>	(1,527)
Net cash inflow from financing activities	<b>3,755</b>	8,868
Net cash inflow (outflow)	<b>6,478</b>	(1,400)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 34. 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.

For the year ended 31 December 2018 the results of the Disposal Group were insignificant and presented in this consolidated financial statement as discontinued operations.

The results of the discontinued operations from 1 January 2018 to 10 January 2018 were as follows:

	2018 RMB'000
Gain on disposal of subsidiaries (Note 35)	1,050
Profit and total comprehensive income for the year from discontinued operations attributable to:	
– Owners of the Company	1,050
– Non-controlling interests	–
Profit and total comprehensive income for the year from discontinued operations	1,050

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 35. DISPOSAL OF SUBSIDIARIES

For the details, please refer to the following note.

#### (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. For details please refer to Note 34.

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)
<b>Net assets disposed of</b>	<b>68,687</b>
	RMB'000
Cash consideration	36,080
Net assets disposed	(68,687)
Non-controlling interest	33,657
<b>Gain on disposal</b>	<b>1,050</b>
	RMB'000
Net cash outflow on disposal of subsidiary	
Cash consideration (Note)	36,080
Bank balances and cash	(108,487)
	<b>(72,407)</b>

Note: The amount was settled during the year ended 31 December 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 35. 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/>
	2018
	RMB'000
Net cash flow 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 was settled during the year ended 31 December 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 36. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2019, the Group entered into a new lease arrangement in respect of office premises. Right-of-use assets and lease liabilities of RMB1,429,000 were recognised at the commencement of the leases.

### 37. SUBSEQUENT EVENT

Since early 2020, the coronavirus epidemic (“the COVID-19 outbreak”) has spread across China and other countries, and it has affected the entertainment business in the mainland China and Hong Kong. The Group’s revenue, cash flows and profit from the operation are expected to decrease as compared to the same period in 2019 due to the impact from COVID-19 outbreak.

Up to the date on which these consolidated financial statements are issued, the Group is still in the process of assessing the impacts of the COVID-19 outbreak on the financial performance and position of the Group and is currently unable to estimate the quantitative impacts to the Group. The management of the Group will pay close attention to the development of the COVID-19 outbreak and perform further assessment of its financial impact.

The COVID-19 outbreak is a non-adjusting event after the financial year and does not result in any adjustments to the consolidated financial statements for the year ended 31 December 2019.



## 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)

	<b>2019</b> <b>RMB'000</b>	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
				(Re-presented)	
Revenue	<b>302,227</b>	217,997	280,848	187,633	147,735
– Continuing	<b>302,227</b>	217,997	152,831	93,855	N/A
– Discontinued	–	–	128,017	93,778	N/A
Gross Profit	<b>113,163</b>	68,233	63,073	29,460	8,232
– Continuing	<b>113,163</b>	68,233	35,242	10,510	N/A
– Discontinued	–	–	27,831	18,950	N/A
Total comprehensive income/(expense) for the year	<b>17,269</b>	8,526	(6,561)	(38,810)	(105,873)
– Continuing	<b>17,269</b>	7,476	(6,115)	(30,225)	N/A
– Discontinued	–	1,050	(446)	(8,585)	N/A

### ASSETS AND LIABILITIES

(As at 31 December)

	<b>2019</b> <b>RMB'000</b>	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	<b>596,983</b>	459,677	625,316	621,583	395,765
Total liabilities	<b>(167,290)</b>	(47,253)	(187,514)	(177,220)	(147,410)
Net assets	<b>429,693</b>	412,424	437,802	444,363	248,355

Note:

The comparative figures for the financial year ended 31 December 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.



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王敏德



Eddie Cheung  
張兆輝



Bosco Wong  
黃宗澤



Alex Fong  
方力申



Kent Cheng  
鄭則士



Lawrence Ng  
吳啟華



Vincent Wong  
王浩信



Joe Ma  
馬德鐘



Wong Cho Lam  
王祖藍



Oscar Leung  
梁競徽



Kelvin Kwan  
關楚耀



Jacky Cai  
蔡潔



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陳滢



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