

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

SHAW
BROTHERS

2023 Annual Report





CONTENTS

Corporate Information	2
Financial Highlights	5
Chairman’s Statement	6
Management Discussion and Analysis	8
Corporate Governance Report	15
Biographical Details of Directors and Senior Management	30
Directors’ Report	33
Independent Auditor’s Report	45
Consolidated Statement of Profit or Loss	50
Consolidated Statement of Profit or Loss and Other Comprehensive Income	51
Consolidated Statement of Financial Position	52
Consolidated Statement of Changes In Equity	54
Consolidated Statement of Cash Flows	55
Notes to the Consolidated Financial Statements	57
Five Years Financial Summary	116

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 Chairlady)

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 Chairlady)

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 Leung Tsz Kwan

AUTHORISED REPRESENTATIVES

Miss Lok Yee Ling Virginia

Miss Leung Tsz Kwan

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 AGENT

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman
KY1-1100, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F., Far East Finance Centre
16 Harcourt Road
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
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE

www.shawbrotherspictures.com



邵氏製作

SHAW PRODUCTION



焦點藝人

FOCUSED ARTIST



Candy Lo
羅霖



Jeffery Lai
黎學勤



Akina Hong
康華



Derek Kok
郭政鴻



Timothy Cheng
鄭子誠



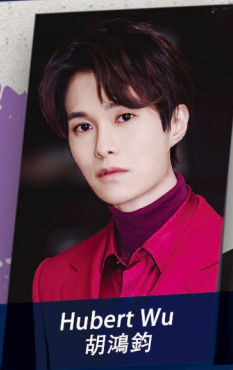
Hugo Ng
吳岱融



Michael Wong
王敏德



Janet Ma
馬詩慧



Hubert Wu
胡鴻鈞



Nicholas Yuen
阮浩棕



Lawrence Ng
吳啟華



Jeannie Chan
陳滢



Oscar Leung
梁競徽



James Ng
吳業坤



Joel Chan
陳山聰



Nancy Wu
胡定欣



Bosco Wong
黃宗澤



Rosina Lam
林夏薇



Jacky Cai
蔡潔



Fiona Chi Yan Fussi
福斯智欣



Kelvin Kwan
關楚耀



Carman Kwan
關嘉敏



Gordon Ip
葉泓聲



Sheldon Lo
羅孝勇



Charlene Houghton
何慈恩



Lincoln Hui
許俊豪



Kyle Lee
李爾晨



Louis Yuen
阮兆祥



Teresa Carpio
杜麗莎



Jerry Lam
林曉峰



Wong Cho Lam
王祖藍



Kwok Chun On
郭晉安



Eliza Sam
岑麗香



Leanne Li
李亞男

FINANCIAL HIGHLIGHTS

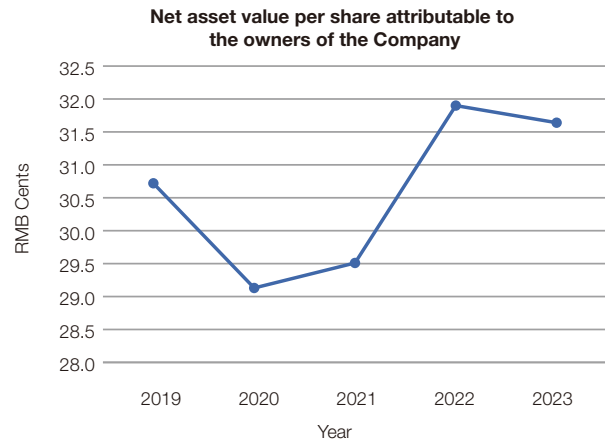
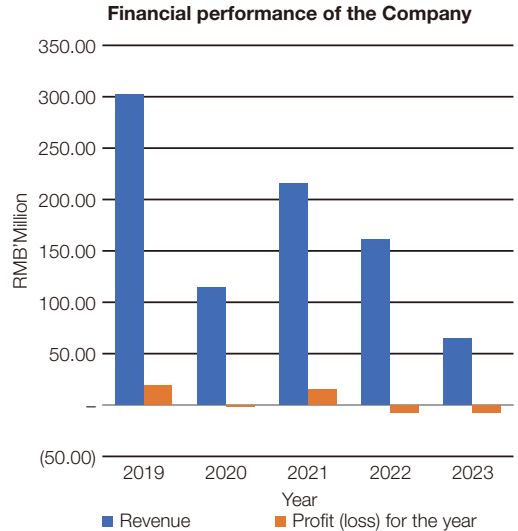
FINANCIAL PERFORMANCE

	Year ended 31 December		
	2023	2022	Change
	RMB	RMB	
Revenue			
Films, drama and non-drama ('000)	35,784	135,448	-73.6%
Artiste and event management ('000)	28,752	25,603	12.3%
Total ('000)	64,536	161,051	-59.9%
Segment (loss) profit			
Films, drama and non-drama ('000)	(8,906)	18,095	-149.2%
Artiste and event management ('000)	7,436	9,659	-23.0%
Total ('000)	(1,470)	27,754	-105.3%
Performance			
Loss attributable to owners of the Company (RMB'000)	(2,898)	(302)	859.6%
Loss per share (RMB cents) ⁽¹⁾	(0.20)	(0.02)	900.0%

	31 December		
	2023	2022	Change
	RMB	RMB	
Total assets ('000)	491,534	533,123	-7.8%
Total liabilities ('000)	61,484	95,091	-35.3%
Total equity ('000)	430,050	438,032	-1.8%
Number of issued shares ('000)	1,419,610	1,419,610	-
Ratios			
Current ratio ⁽²⁾	7.8	5.4	N/A
Gearing ratio ⁽³⁾	0.93%	0.84%	N/A
Net asset value per share attributable to the owners of the Company (RMB cents)⁽⁴⁾	31.64	31.90	-0.8%

Notes:

- (1) Loss per share was calculated by dividing the loss for the year attributable to owners of the Company by the number of the issued shares as at the respective dates.
- (2) Current ratio was calculated by dividing the total current assets by the total current liabilities as at the respective dates.
- (3) Gearing ratio was calculated by dividing the total debt by total assets at the respective dates.
- (4) Net asset value per share attributable to the owners of the Company was calculated by dividing equity attributable to owners of the Company by the number of the issued shares as the respective dates.



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Shaw Brothers Holdings Limited (the “**Company**”, which together with its subsidiaries, is referred to as the “**Group**”), I present the Group’s financial results and major business developments for the financial year ended 31 December 2023 (the “**Year**”).

INDUSTRY OVERVIEW

Hong Kong’s film industry is gradually rebounding from the impact of the COVID-19 pandemic. However, the overall performance of the cinema market in Hong Kong still far below pre-pandemic levels.

Given the limited size of Hong Kong’s domestic market, the film industry in Hong Kong mainly relies on revenue from the Asian markets, particularly the mainland China market.

To foster the growth of the film industry, the Hong Kong Government has proposed certain supportive policies focused on encouraging investment projects that target the film markets in mainland China and other regions, as well as facilitating film production within Hong Kong. These initiatives aim to further enhance the development of the industry and unleash its potential for success.

BUSINESS OVERVIEW

During the Year, the Group recorded revenue of RMB64,536,000, a decrease by 59.9% as compared to the revenue of RMB161,051,000 for the year ended 31 December 2022 (the “**Previous Year**”), resulting from decrease in the number of film, drama and non-drama released for the Year compared to the Previous Year.

Loss for the year slightly increased from RMB7,525,000 for the Previous Year to RMB7,717,000 for the Year. Loss attributable to the owners of the Company for the Year amounted to RMB2,898,000, an increase of RMB2,596,000 or 859.6% from RMB302,000 for the Previous Year. The loss was caused by the increase in the provision of impairment losses on investments in films, drama and non-drama and trade receivables for the Year.

FILMS, DRAMA AND NON-DRAMA

The Group’s 27-episode anti-corruption drama series “Mission Run” (“廉政狙擊”), which starred Bosco Wong (黃宗澤), Shaun Tam (譚俊彥), Ron Ng (吳卓羲) and Nancy Wu (胡定欣), was broadcast on myTV SUPER media service platform and the free-to-air channel of Television Broadcasts Limited (“**TVB**”) in Hong Kong from February to March 2023.

An action crime film “Endless Battle” (“無間一戰”) was released on Youku platform in mainland China in August 2023 and it also had its theatrical release in Malaysia and Hong Kong. The movie stars Bosco Wong (黃宗澤), Michael Tse (謝天華), Joel Chan (陳山聰), Sisley Choi (蔡思貝), Alice Chan (陳煒), Cheung Kwok Keung (張國強), Jazz Lam (林子善), Tony Wu (胡子彤) and Rosita Kwok (郭柏妍).

The Group released a variety of non-drama on various Chinese portals and online platforms during the Year, included variety shows as “Gigi’s Tasteful Kitchen Third Season” (“Gi味俱全3”) and “My United Lover” (“搵鬼做情人”).

ARTISTE AND EVENT MANAGEMENT

As at 31 December 2023, 66 artistes were under the Group’s management. Artistes managed by the wholly-owned subsidiaries included famous artistes such as Bosco Wong (黃宗澤), Joel Chan (陳山聰), Lawrence Ng (吳啟華), Nancy Wu (胡定欣), Rosina Lam (林夏薇) and Jeannie Chan (陳滢); and popular singers such as Hubert Wu (胡鴻鈞) and James Ng (吳業坤). Artistes managed by the subsidiary Tailor Made Production Limited included famous artistes such as Wong Cho Lam (王祖藍), Roger Kwok (郭晉安) and Eliza Sam (岑麗香), as well as popular singer Teresa Carpio (杜麗莎).

CHAIRMAN'S STATEMENT

PROSPECT

With the easing of pandemic restrictions and proposed government support, the film industry is expected to rebound. Filmmakers and producers can resume normal operations, creating new content and attracting funding from both local and international investors. This will instill more confidence in investment in films.

Building upon the success of action crime drama series like “Flying Tiger” (“飛虎”), “Mission Run” (“廉政狙擊”) and “Line Walker Series” (“使徒行者”), the Group has commenced the shooting of a 25-episode disciplined forces drama “Prism Breakers” (“執法者們”) and continues its efforts to forge collaborations with business partners and investors, especially in mainland China, to jointly develop high-quality films and dramas.

By featuring its own actors and actresses in movie and drama productions, the Company aims to increase their exposure and enhance their fame. This integrated approach between film and drama production and artiste and event management will create synergies and maximize the potential of the Group's talent resources.

With its production expertise, established strategic partnerships and rich talent resources, the Group is well-positioned to capitalize on a post-pandemic recovery and support from government policy in the existing markets and to develop new markets under its strategy of investing in film and drama production with high-quality content. It will leverage its rich resources such as a seasoned production team and a rich pool of top artistes to tap the great potential of the markets of the Greater Bay Area and the Chinese communities all over the world as it aspires to be one of the leading content producers and curators in Asia Pacific.

APPRECIATION

On behalf of the Board of Directors, I would like to express my gratitude to the management team and our artistes for their commitment and efforts over the past year. Additionally, I would like to express my appreciation for the perseverance and dedication of all members of Shaw Brothers Holdings Limited. Last but not least, I would like to extend my sincere gratitude to the shareholders, business partners, and customers for their unwavering support, which has been fundamental to the Group's continued success.

Shaw Brothers Holdings Limited

Li Ruigang

Chairman

Hong Kong 26 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Hong Kong's film industry is gradually rebounding from the impact of the COVID-19 pandemic, with 46 local movies being released in 2023, up from 27 in 2022. However, the cinema market in Hong Kong is still struggling to reach pre-pandemic levels, with box office revenue in 2023 just 25% up on 2022 when cinemas were subjected to anti-pandemic measures on occupancy rate. (Source: A press release titled "Overview of Hong Kong Film Market 2023 (《2023年香港電影市道整體情況》)" by Hong Kong Box Office Ltd.)

According to Gower Street Analytics, mainland China was the world's second largest film market in 2023, grasping more than 23% of the global box office and ranking just behind to the North American market. Given the limited size of Hong Kong's domestic market, the film industry in Hong Kong mainly relies on revenue from Asian markets, particularly the mainland China market. According to the 2023 Policy Address, the Hong Kong Government proposed injecting HK\$4.3 billion into the Film Development Fund and the CreateSmart Initiative. Additionally, they introduced the Filming Financing Scheme for Mainland Market and the Hong Kong-Europe-Asia Film Collaboration Funding Scheme. These initiatives aim to support investment projects that targeted the film markets in mainland China and overseas, as well as the film promoting production in Hong Kong for further industry development.

With the increasing popularity of high-speed internet and smart devices, the market for the over-the-top streaming platforms has been further expanded. By broadcasting programmes on these platforms, film production companies are able to reach a wider audience and create more business opportunities, generating higher profitability for the film and television industry.

BUSINESS REVIEW

During the year ended 31 December 2023 (the "Year"), Shaw Brothers Holdings Limited (the "Company", which together with its subsidiaries, collectively the "Group"), recorded revenue of RMB64,536,000, a decrease by 59.9% as compared to the revenue of RMB161,051,000 for the year ended 31 December 2022 (the "Previous Year"), resulting from a decrease in the number of film, drama and non-drama released for the Year compared to the Previous Year. Films, drama and non-drama and artiste and event management are the two business segments of the Group. Below is an analysis of the Group's revenue by business segment.

	2023 RMB'000	2022 RMB'000
Films, drama and non-drama	35,784	135,448
Artiste and event management	28,752	25,603
	64,536	161,051

MANAGEMENT DISCUSSION AND ANALYSIS

FILMS, DRAMA AND NON-DRAMA

Released productions

The Group's 27-episode anti-corruption drama series "Mission Run" ("廉政狙擊"), which starred Bosco Wong (黃宗澤), Shaun Tam (譚俊彥), Ron Ng (吳卓羲) and Nancy Wu (胡定欣), was broadcast on myTV SUPER media service platform and the free-to-air channel of Television Broadcasts Limited ("TVB") in Hong Kong from February to March 2023.

An action crime film "Endless Battle" ("無間一戰") was released on Youku platform in mainland China in August 2023 and it also had its theatrical release in Malaysia and Hong Kong. The movie stars Bosco Wong (黃宗澤), Michael Tse (謝天華), Joel Chan (陳山聰), Sisley Choi (蔡思貝), Alice Chan (陳煒), Cheung Kwok Keung (張國強), Jazz Lam (林子善), Tony Wu (胡子彤) and Rosita Kwok (郭柏妍).

The Group released a variety of non-drama on various Chinese portals and online platforms during the Year, included variety shows as "Gigi's Tasteful Kitchen Third Season" ("Gi味俱全3") and "My United Lover" ("搵鬼做情人").

Productions in progress

A 25-episode disciplined forces drama "Prism Breakers" ("執法者們") has commenced the shooting in February 2024. The drama stars Bosco Wong (黃宗澤), Moses Chan (陳豪), Kenneth Ma (馬國明), Jessica Hester Hsuan (宣萱), Lawrence Ng (吳啟華), Hin Law (羅子溢), Jeannie Chan (陳滢), Jacky Cai (蔡潔), Oscar Leung (梁競徽), Moon Lau (劉佩玥) and Regina Ho (何依婷). The drama is expected to be released on the Youku platform in late 2024.

Investments in films, drama and non-drama

During the Year, the Group collaborated with its business partners to invest and co-produce in new drama projects in mainland China and Hong Kong including "我叫趙甲第第二季", "OCTB Season 2" ("反黑2") and "OCTB Season 3" ("反黑3") in order to enrich the business portfolio and broaden the income stream.

The easing of COVID-19 restrictions and measures in early 2023 did not immediately result in an improvement in revenue from film, drama and non-drama projects. The Group continues to collaborate with business partners to produce, invest in, or distribute films and drama series featuring high-quality content. In addition, the Group aims to strengthen the synergy between its business of film and drama production and that of artiste and event management by integrating artistes under the Group's management into the cast of its films and drama productions and investments.

Artiste and Event Management

Since the relaxation of COVID-19 restrictions and measures during the Year, the Group has experienced an increase in commercial engagements for the artistes under the Group's management, as well as their involvement in multiple domestic and overseas film or drama projects.

As at 31 December 2023, 66 artistes were under the Group's management. Artistes managed by the wholly-owned subsidiaries included famous artistes such as Bosco Wong (黃宗澤), Joel Chan (陳山聰), Lawrence Ng (吳啟華), Nancy Wu (胡定欣), Rosina Lam (林夏薇) and Jeannie Chan (陳滢); and popular singers such as Hubert Wu (胡鴻鈞) and James Ng (吳業坤). Artistes managed by the subsidiary Tailor Made Production Limited included famous artistes such as Wong Cho Lam (王祖藍), Roger Kwok (郭晉安) and Eliza Sam (岑麗香), as well as popular singer Teresa Carpio (杜麗莎).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

With the easing of pandemic restrictions and proposed government support, the film industry is expected to rebound. Filmmakers and producers can resume normal operations, creating new content and attracting funding from both local and international investors. This will instill more confidence in investment in films.

Building upon the success of action crime drama series like “Flying Tiger” (“飛虎”), “Mission Run” (“廉政狙擊”) and “Line Walker Series” (“使徒行者”), the Group has commenced the shooting of a 25-episode disciplined forces drama titled “Prism Breakers” (“執法者們”). The Group is also actively seeking collaborations with business partners and investors, especially in mainland China, to jointly develop high-quality films and dramas.

By featuring its own actors and actresses in movie and drama productions, the Company aims to increase their exposure and enhance their fame. This integrated approach between film and drama production and artiste and event management will create synergies and maximize the potential of the Group’s talent resources.

With its production expertise, established strategic partnerships and rich talent resources, the Group is well-positioned to capitalize on a post-pandemic recovery and support from government policy in the existing markets and to develop new markets under its strategy of investing in film and drama production with high-quality content. It will leverage its rich resources such as a seasoned production team and a rich pool of top artistes to tap the great potential of the markets of the Greater Bay Area and the Chinese communities all over the world as it aspires to be one of the leading content producers and curators in Asia Pacific.

FINANCIAL REVIEW

Revenue of the Group decreased from RMB161,051,000 for the Previous Year to RMB64,536,000 for the Year, representing a decrease of RMB96,515,000 or 59.9%. It was mainly due to the decreased revenue contribution from films, drama and non-drama segment during the Year.

FILMS, DRAMA AND NON-DRAMA

Year ended 31 December	2023 RMB'000	2022 RMB'000	Change RMB'000	%
Revenue	35,784	135,448	-99,664	-73.6
Segment (loss) profit	(8,906)	18,095	-27,001	-149.2
Segment profit margin	N/A	13.4%		

Revenue from the films, drama and non-drama segment decreased from RMB135,448,000 for the Previous Year to RMB35,784,000 for the Year, a decrease by 73.6% was mainly due to the decrease in the number of film, drama and non-drama released for the Year compared to the Previous Year. The reportable segment loss of the films, drama and non-drama segment was mainly attributable to the impairment losses of investments in films, drama and non-drama and trade receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

ARTISTE AND EVENT MANAGEMENT

Year ended 31 December	2023 RMB'000	2022 RMB'000	Change RMB'000	%
Revenue	28,752	25,603	3,149	12.3%
Segment profit	7,436	9,659	-2,223	-23.0%
Segment profit margin	25.9%	37.7%		

Revenue from the artiste and event management segment increased by 12.3% from RMB25,603,000 for Previous Year to RMB28,752,000 for the Year. The growth was primarily driven by the relaxation of COVID-19 restrictions and measures in early 2023, resulting in an increased number of commercial engagements for the artistes under the Group's management, as well as the participation in multiple domestic and overseas film or drama projects. The lower profit margin at the artiste and event management segment was due to higher absorption of administrative expenses during the Year.

COST OF SALES

Cost of sales decreased by 69.1% from RMB110,738,000 for the Previous Year to RMB34,251,000 for the Year due to lower absorption of films, drama and non-drama distribution costs during the Year.

OTHER INCOME, GAINS AND LOSSES, NET

The Group recorded other income of RMB14,376,000 for the Year, in contrast to other losses of RMB5,213,000 for the Previous Year. The change was mainly due to (1) decrease in exchange loss arising from the translations of RMB denominated financial instruments; (2) increase in interest income on bank deposits resulted from rising interest rates; and (3) write back of cost provisions.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased from RMB5,550,000 for the Previous Year to RMB1,456,000 for the Year, a decrease by 73.8% attributable to fewer advertising and promotional activities related to films, drama and non-drama business and artiste and event management business during the Year.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased from RMB37,325,000 for the Previous Year to RMB35,186,000 for the Year, a decrease of 5.7% attributable to (1) one-off irrecoverable debt expenses of RMB4,420,000 in the Previous Year, net-off by (2) higher depreciation for right-of-use assets attributable to the entering of three new tenancy agreements by the Group; (3) increase in legal and professional fees in respect of corporate matters; and (4) increase in other operating expenses during the Year after the relaxed anti-pandemic measurements.

IMPAIRMENT LOSSES

Impairment loss of investments in films, drama and non-drama

Impairment loss of investments in films, drama and non-drama of RMB9,140,000 recognised for the Year (2022: RMB3,877,000). The impairment loss of investments in films, drama and non-drama was made based on the management's estimation of the recoverable amount against the carrying amount of the investments in films, drama and non-drama. The impairment loss was determined based on the present value of expected future revenues and related cash flows arising from the investments in films, drama and non-drama.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment loss of trade receivables

Impairment loss of trade receivables of RMB5,518,000 recognised for the Year (2022: RMB3,974,000). The increase in provision for impairment of trade receivables was mainly due to the increase in the expected credit loss (“ECL”) resulting from the decrease in recoverability of long outstanding trade receivables and the Group’s prudent practice of adopting the ECL model.

INCOME TAX EXPENSES

Income tax expenses decreased from RMB885,000 for the Previous Year to RMB165,000 for the Year, which was mainly due to the decrease in profitability from a major subsidiary in Hong Kong.

LOSS FOR THE YEAR AND LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Loss for the year slightly increased from RMB7,525,000 for the Previous Year to RMB7,717,000 for the Year. Loss attributable to the owners of the Company for the Year amounted to RMB2,898,000, an increase of RMB2,596,000 or 859.6% from RMB302,000 for the Previous Year. The loss was caused by the increase in the provision of impairment losses of investments in films, drama and non-drama and trade receivables for the Year.

INVESTMENTS IN FILMS, DRAMA AND NON-DRAMA

Investments in films, drama and non-drama increased from RMB42,657,000 as at 31 December 2022 to RMB85,373,000 as at 31 December 2023. It was mainly attributable to the co-productions in certain new dramas during the Year, net of provision for impairment loss of investments in films, drama and non-drama during the Year.

FILMS, DRAMA AND NON-DRAMA PRODUCTIONS IN PROGRESS

Films, drama and non-drama productions in progress decreased from RMB14,857,000 as at 31 December 2022 to RMB4,294,000 as at 31 December 2023. It was mainly attributable to the recognition of production costs of both “Mission Run” (“廉政狙擊”) and “Endless Battle” (“無間一戰”) as cost of sales, which resulted from the broadcast of “Mission Run” (“廉政狙擊”) on TVB and the release of “Endless Battle” (“無間一戰”) on Youku platform, net of the additional production costs of new dramas incurred during the Year.

TRADE RECEIVABLES

Trade receivables from third parties, net of loss allowance, significantly decreased from RMB82,273,000 as at 31 December 2022 to RMB16,550,000 as at 31 December 2023, mainly due to the receipt of payments from customers during the Year. The management reviews the aging trade receivables regularly and follows up with the respective general managers and/or customers on the collection of such trade receivables. Details of the trade and other receivables as at 31 December 2023 are set out in Note 22 to the consolidated financial statements in this annual report.

TRADE AND OTHER PAYABLES

Trade and other payables decreased from RMB52,599,000 as at 31 December 2022 to RMB39,353,000 as at 31 December 2023. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. Details of the trade and other payables as at 31 December 2023 are set out in the Note 24 to the consolidated financial statements in this annual report.

CONTRACT LIABILITIES

Contract liabilities increased from RMB5,230,000 as at 31 December 2022 to RMB6,827,000 as at 31 December 2023, which was mainly attributable to the receipt in advance from the artiste and event management.

MANAGEMENT DISCUSSION AND ANALYSIS

AMOUNTS DUE TO RELATED PARTIES

Amounts due to related parties decreased from RMB23,614,000 as at 31 December 2022 to RMB4,199,000 as at 31 December 2023. It was mainly due to the settlement of the payment for certain artiste engagements during the Year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources and bank borrowing, whenever necessary. As at 31 December 2023, the Group holds RMB306,198,000 in bank balances and cash (31 December 2022: RMB322,828,000), indicating that a healthy and sound financial position was maintained. The Group's bank balances and cash were denominated in Hong Kong dollars ("HK\$"), Renminbi and United States dollars ("USD").

PLEDGE OF ASSETS

As at 31 December 2023, the Group did not have any pledge of assets (31 December 2022: Nil).

CAPITAL STRUCTURE

As at 31 December 2023, the Group's equity attributable to owners of the Company decreased by 0.8% to RMB449,214,000 (31 December 2022: RMB452,793,000). Net asset value per share attributable to owners of the Company decreased to RMB31.64 cents (31 December 2022: RMB31.90 cents). Current ratio was 7.8 (31 December 2022: 5.4). As at 31 December 2023 and 31 December 2022, the number of total issued shares of the Company was 1,419,610,000.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2023, the Group had a capital commitment of RMB1,000,000 in the form of the unpaid registered capital of an associate (31 December 2022: RMB1,000,000).

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and mainland China with most of its transactions settled in HK\$ and RMB. Bank balances and cash held by the Group were denominated mainly in HK\$, RMB 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 BORROWING AND GEARING RATIO

The Group's interest-bearing bank borrowing denominated in HK\$ increased from RMB4,467,000 as at 31 December 2022 to RMB4,557,000 as at 31 December 2023 due to the depreciation of RMB against HK\$ during the Year. The gearing ratio of the Group, calculated on the basis of interest-bearing debts over total assets, was 0.93% as at 31 December 2023 (31 December 2022: 0.84%).

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As at 31 December 2023, the Group had a total of 58 employees (excluding directors) (31 December 2022: 74 employees). 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. 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" of "Directors' Report" in this annual report.

FINAL DIVIDEND

The board of directors (the "**Board**") of the Company has resolved not to recommend the payment of a final dividend. The Company believes that this measure is a prudent and responsible means of preserving cash for the long-term financial health of the Group.

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 published on the website of the Company at www.shawbrotherspictures.com and the website of The Stock Exchange of Hong Kong Limited for listed issuers information at www.hkexnews.hk in April 2024.

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 (the “**Board**”) of directors (the “**Directors**”) and management (the “**Management**”) of Shaw Brothers Holdings Limited (the “**Company**”, which together with its subsidiaries, is referred to as the “**Group**”) 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 C1 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 ended 31 December 2023, 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 website of the Company at www.shawbrotherspictures.com (the “**Corporate Website**”) and the website of the Stock Exchange for listed issuers information at www.hkexnews.hk (the “**Stock Exchange's Website**”).

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

CORPORATE CULTURE AND STRATEGY

The Board is responsible for nurturing the Company’s culture, which aligns with the purpose, values and strategy of the Company, and promoting to all staff, and embedding the same in the business decisions and operations. The Company’s culture is a collection of belief, mindsets, norms, behaviours, attitudes and social patterns which are developed over time, and maintained and enhanced through the collective efforts of the management and all staff.

In line with the purpose and having equipped with the core values, the Company’s strategy in the business development and management could be summarized as achieving long-term, steady and sustainable growth, focusing on investments with stable recurring income while having due considerations from environment, social and governance (ESG) aspect. The findings of which, including human resources data, health and safety, environmental performance, ESG regulatory compliance, etc., could be found in the ESG Report will be published on the Corporate Website and the Stock Exchange’s Website in April 2024.

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 ended 31 December 2023 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

CORPORATE GOVERNANCE REPORT

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 30 to 32 of this annual 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 ended 31 December 2023, 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 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 8 June 2023, Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia who retired as Directors at the annual general meeting of the Company held on 8 June 2023 (“**2023 AGM**”), were successfully re-elected at the said meeting.

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, are subject to retirement and re-election.

In accordance with 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.

Accordingly, Miss Lok Yee Ling Virginia and Mr. Pang Hong shall retire as Directors at the forthcoming annual general meeting of the Company to be held in June 2024 and, being eligible, 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 C3 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 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 ended 31 December 2023.

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 has a total of 6 Directors

Executive Director

1

Non-executive Directors

5 (including 3 independent non-executive Directors)

Gender

Male

4 (67%)

Female

2 (33%)

Age Group

The number of Directors falling within the following age groups are:

51–55	56–60	61–65	66–70
2	–	2	2

The average age of Directors is 60 years old.

Years of directorship with the Group

1-5 years

–

6-10 years

6

The background of each member of the Board are disclosed in the section headed “Biographical Details of Directors and Senior Management” on pages 30 to 32 of this annual report.

Directors have very diversified background, ranging from management; finance and accounting; investment; legal and regulatory; media and entertainment; which fit well with the Company’s business objectives. The nomination committee of the Company (the “**Nomination Committee**”) considers that this board structure to be optimal for the Company and for its future development.

CORPORATE GOVERNANCE REPORT

GENDER DIVERSITY AT WORKFORCE

As at 31 December 2023, the ratio of women to men in the workforce (excluding directors of the Company) was 43:15. The Company is aiming to achieve a more balanced gender ratio in the workforce in the future and will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness.

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 FUNCTIONS

The Board is responsible for performing the functions set out in 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.

INDEPENDENT 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.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND PROCEDURES

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

The Board held 4 meetings during the year ended 31 December 2023. At the meetings or by the resolutions in writing, the Board had approved the 2022 annual results; 2023 interim results; reviewed the quarterly performance; approved the 2023 and 2024 budget and approved the publication of the relevant announcements in connection with the matters in this paragraph as required under the Listing Rules.

Details of the attendance¹ record of Directors at the meetings of the Board, executive committee of the Company (the “**Executive Committee**”), audit committee of the Company (the “**Audit Committee**”), remuneration committee of the Company (the “**Remuneration Committee**”) and the Nomination Committee, and 2023 AGM held during the year ended 31 December 2023 are summarised as follows:

Directors	Type of meetings					2023 AGM
	Board meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	
Mr. Li Ruigang	4/4	N/A	N/A	N/A	N/A	1/1
Miss Lok Yee Ling Virginia	4/4	4/4	N/A	N/A	N/A	1/1
Mr. Hui To Thomas	4/4	4/4	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

Notes:

- 1 Demonstration – Total numbers of meeting(s) attended/Total numbers of meeting(s) held during the year.
- 2 N/A – not applicable
- 3 Directors may attend meetings in person, or through other means of electronic communication.

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 Corporate Website and the Stock Exchange’s Website 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 2023 are set out in the table under the section headed “Board Meetings and Procedures” on page 19 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 Corporate Website and the Stock Exchange's Website. It has two members comprising Miss Lok Yee Ling Virginia, the executive Director (chairlady) 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 four meetings during the year ended 31 December 2023. At the meetings, the Executive Committee reviewed and discussed the quarterly, interim and annual financial and business performance of the Group and considered and approved the banking matters of the Company.

AUDIT COMMITTEE

The Audit Committee was established on 6 January 2010 with written terms of reference, which is available on the Corporate Website and the Stock Exchange's Website. It has three members comprising Mr. Poon Kwok Hing Albert (chairman), Mr. Pang Hong and Miss Szeto Wai Ling Virginia, all 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 ended 31 December 2023. At the meetings, the Audit Committee reviewed the 2022 annual results of the Group; reviewed the risk management and internal control systems of the Group; conducted annual review on the continuing connected transactions of the Company and review the 2023 interim results of the Group. The Group's annual results for the year ended 31 December 2023 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 of the Company and the annual report of the Company for the year ended 31 December 2023, and confirmed that the said announcement and annual report with the applicable standard as required by 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 Corporate Website and the Stock Exchange's Website. It has three members, namely, Miss Szeto Wai Ling Virginia (chairlady), 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.

The Remuneration Committee held one meeting during the year ended 31 December 2023. 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.

CORPORATE GOVERNANCE REPORT

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:

	Number of Individual
RMB Nil-RMB1,000,000	1

Further details of the Directors' emoluments are set out in Note 11 to 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 Corporate Website and the Stock Exchange's Website. It has three members, namely, Mr. Pang Hong (chairman), Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia, all 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 ended 31 December 2023. 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.

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.

CORPORATE GOVERNANCE REPORT

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 ended 31 December 2023, the Group has complied with Principle C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. 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 for the year, no significant risk was identified.

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.

CORPORATE GOVERNANCE REPORT

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 for the year, no significant control deficiency was identified.

Internal Audit

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the directors will continue to review at least annually the need for an internal audit function.

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 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 external independent professionals 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.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged SHINEWING (HK) CPA Limited as its external auditor for the year. For the year ended 31 December 2023, the remuneration paid or payable for the audit and non-audit services provided by SHINEWING (HK) CPA Limited and its affiliated firms was as follows:

Type of services provided	Amount of fees (RMB'000)
Audit services	977
Non-audit services (Note)	615
<hr/>	
Total	1,592

Note: Non-audit services included mainly the service of reviewing the interim results of the Group for the six months ended 30 June 2023, and services of reviewing the environmental, social and governance report of the Group.

COMPANY SECRETARY

Miss Leung Tsz Kwan was appointed by the Board as the company secretary of the Company (the “**Company Secretary**”) since 1 July 2021. She has taken sufficient training hours of relevant professional training during the year ended 31 December 2023 and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. The biographical details of Miss Leung are set out under the section headed “Biographical Details of Directors and Senior Management” on page 32 of this annual report.

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

INVESTOR RELATIONS

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

CORPORATE GOVERNANCE REPORT

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 Corporate Website and the Stock Exchange's Website in accordance with the Listing Rules.

CONSTITUTIONAL DOCUMENTS

During the year, the Company had adopted the amended and restated Memorandum of Association and Articles of Association of the Company on 8 June 2023 when the Company's shareholders approved and adopted the same. For details of the amendments to the Company's pre-existing Memorandum of Association and Articles of Association, please see the Company's circular dated 28 April 2023. An up-to-date consolidated version of the amended and restated Memorandum of Association and Articles of Association of the Company is available on the Corporate Website and the Stock Exchange's Website respectively.

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

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

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

CORPORATE GOVERNANCE REPORT

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

Shaw Brothers Holdings Limited
19/F., Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong
Tel No.: (852) 2335 2879
Fax No.: (852) 2335 7363
Website: www.shawbrotherspictures.com

ENQUIRES PUT TO THE BOARD

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

Shaw Brothers Holdings Limited
19/F., Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong
Tel No.: (852) 2335 2879
Fax No.: (852) 2335 7363

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held in June 2024. The notice of the said meeting will be issued to shareholders accordingly.

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 lodgement 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 lodgement period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the NC's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.
- 3.6 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.
- 3.7 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.
- 3.8 As there may be more candidates than the vacancies available, and the "gross-vote" method will be used to determine who shall be elected as a Director, shareholder proposed resolutions shall therefore take the same form as the resolutions proposed for the candidates recommended by the Board.

4. CONFIDENTIALITY

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

CORPORATE GOVERNANCE REPORT

SHAW BROTHERS HOLDINGS LIMITED

BOARD DIVERSITY POLICY

1. PURPOSE

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

2. VISION

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

3. POLICY STATEMENT

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

MR. LI RUIGANG

Chairman and Non-Executive Director

Mr. Li, aged 54, 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. (together with its affiliates, called “**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 was the chairman and president of Shanghai Media Group. Mr. Li is a board member of Special Olympics. Mr. Li is a non-executive director of Television Broadcasts Limited (“**TVB**”), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). TVB has interest in the shares of the Company. 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 certain 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.

MISS LOK YEE LING VIRGINIA

Executive Director

Chairlady of Executive Committee

Miss Lok, aged 67, was appointed as an Executive Director of the Company on 29 January 2016. She is also the chairlady 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.

Miss Lok has over 40 years of experience in film and TV entertainment industry. She is currently an Assistant General Manager (Talent Management and Development) of TVB. She first joined TVB in November 2003 as Assistant Controller (Talent), and was promoted to Deputy Controller (Production Resources) in May 2004 and Controller (Production Resources) in January 2008, and to her current position in July 2016. 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), Line Walker 2 (使徒行者2：諜影行動), Triumph in the Skies (衝上雲霄) and Endless Battle (無間一戰) and drama series of Flying Tiger (飛虎之潛行極戰), Flying Tiger 2 (飛虎之雷霆極戰), Flying Tiger 3 (飛虎之壯志英雄), Mission Run (廉政狙擊) and Guardian Angel (守護神之保險調查) and TV online drama Impossible Three (非凡三俠). Miss Lok is also the executive committee member of Hong Kong Motion Picture Industry Association Limited and Movie Producers and Distributors Association of Hong Kong Limited. Miss Lok is a director of Shine Investment Limited, the substantial shareholder of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

MR. HUI TO THOMAS

Non-executive Director

Member of the Executive Committee

Mr. Hui, aged 51, was appointed as a Non-executive Director of the Company on 25 October 2016. He is also a member of the Executive Committee.

Mr. Hui possesses over 25 years of experience in management and investment with broad experience and deep expertise in managing media, entertainment and internet businesses. Mr. Hui was formerly a director of KingSoft Corporation Limited, GigaMedia Limited and JC Entertainment Corporation. Mr. Hui also worked at Goldman Sachs (Asia) L.L.C., Hong Kong, Merrill Lynch & Co. as well as McKinsey & Company. Mr. Hui is executive chairman of TVB, a company listed on the Main Board of the Stock Exchange. Mr. Hui is a director of Young Lion Holdings Limited, Young Lion Acquisition Co. Limited and Shaw Brothers Limited. Mr. Hui is the chief operating officer and an executive director of CMC Inc. which is a substantial shareholder of the 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.

MR. PANG HONG

Independent Non-executive Director

Chairman of the Nomination Committee

Member of the Audit Committee

Member of the Remuneration Committee

Mr. Pang, aged 70, 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.

Mr. Pang was a former independent non-executive director of OCI International Holdings Limited, which is listed on the Main Board of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

MR. POON KWOK HING ALBERT

Independent Non-executive Director
Chairman of the Audit Committee
Member of the Remuneration Committee
Member of the Nomination Committee

Mr. Poon, aged 62, 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.

Mr. Poon was appointed as independent non-executive director of eSun Holdings Limited, which is listed on the Main Board of the Stock Exchange on 1 August 2023. He was a former independent non-executive director of Media Asia Group Holdings Limited, which was listed on and recently delisted from the GEM of the Stock Exchange, following its withdrawal of listing in March 2023. He was also a former independent non-executive director of Greater Bay Area Dynamic Growth Holding Limited (formerly known as the Rosedale Hotel Holdings Limited), which is 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.

MISS SZETO WAI LING VIRGINIA

Independent Non-executive Director
Chairlady of the Remuneration Committee
Member of the Audit Committee
Member of the Nomination Committee

Miss Szeto, aged 61, was appointed as an Independent Non-executive Director of the Company on 29 January 2016. She is also the chairlady 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 a former independent non-executive director of Shunten International (Holdings) Limited, which is listed on the Main Board 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.

MISS LEUNG TSZ KWAN

Company Secretary

Miss Leung Tsz Kwan was appointed as the Company Secretary and Authorised Representative of the Company on 1 July 2021. Miss Leung has extensive working experience in company secretarial, accounting and finance in listed companies. She is a member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' REPORT

The board (the “**Board**”) of directors (the “**Directors**”) of Shaw Brothers Holdings Limited (the “**Company**”) are pleased to present to the shareholders of the Company (the “**Shareholders**”) this annual report and the audited consolidated financial statements for the year ended 31 December 2023 (the “**Consolidated Financial Statements**”).

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 Hong Kong Limited (the “**Stock Exchange**”) since 1 February 2010 (the “**Listing Date**”).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in investment in films, drama and non-drama, and artiste and event management. An analysis of the Group’s performance for the year by business and geographical segments is set out in Note 6 to the Consolidated Financial Statements.

Details of the principal activities and other particulars of the Company’s subsidiaries are set out in Note 34 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 as set out on pages 8 to 14, the Chairman’s Statements as set out on pages 6 to 7 and the Corporate Governance Report as set out on pages 15 to 29 of this annual report. Such discussions forms part of this Directors’ Report.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the Consolidated Statement of Profit or Loss on page 50 of this annual report.

DIVIDEND POLICY

The Company has adopted the Dividend Policy in December 2018 with further update in March 2019. The Dividend Policy is set out on page 29 of this annual report.

DIVIDENDS

The Directors did not declare any interim dividend or recommend final dividend for the year ended 31 December 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 11 June 2024 to Tuesday, 18 June 2024 (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 and transfer office of the Company, Tricor Investor Services Limited at 17/F., Far East Finance Centre 16 Harcourt Road Hong Kong for registration no later than 4:30 p.m. on 14 June 2024.

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.

DIRECTORS' REPORT

BANK BORROWING

Details of bank borrowing of the Group as at 31 December 2023 are set out in Note 26 to the Consolidated Financial Statements in this annual report.

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out on page 116 of this annual report. 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 27 to the Consolidated Financial Statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (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

Loss attributable to equity shareholders, before dividends, of RMB2,898,000 (2022: RMB16,403,000) 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 by the Group in the normal course of business during the year ended 31 December 2023, which included in the section "Connected Transactions" below, if applicable, are disclosed in Note 32 to the Consolidated Financial Statements in this annual report. In respect of these connected transactions, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 73% of the total sales, with the largest customer accounting for 28% of the aggregate amount of turnover.

Purchases from the Group's five largest suppliers accounted for approximately 53% of the total purchases and purchase from the Group's largest supplier included therein amounted to 30% of the total purchases.

Except for the information as disclosed in Note 32 to the Consolidated Financial Statements in the annual report, none of the Directors, their close associates or shareholders (which, to the best knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

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

Chairman and Non-executive Director

Mr. Li Ruigang

Executive 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

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. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia retired as Directors at the annual general meeting held on 8 June 2023, were successfully re-elected at the said meeting.

Miss Lok Yee Ling Virginia and Mr. Pang Hong shall retire as Directors at the forthcoming annual general meeting of the Company to be held in June 2024, and being eligible, offer themselves for re-election at the said meeting.

Information in relation to the appointment and re-election of the Directors of the Company is set out in the section headed "Appointment, Re-election and Removal of Directors" in the Corporate Governance Report on page 16 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 19 to 21 of this annual report.

BIOGRAPHIES OF DIRECTORS AND 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 30 to 32 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 is determined with reference to his/her duties and responsibilities within the Company.

DIRECTORS' REPORT

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/she may sustain or incur in or about the execution of the duties of his/her 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 year ended 31 December 2023.

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:

CONNECTED TRANSACTIONS

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

As announced in the Company's announcement dated 29 March 2017, Tailor Made Production Limited ("**Tailor Made**") entered into Artiste Management Agreements with each of Good Servant Production 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 Yanan Leanne, respectively in the entertainment industry throughout the world with effective since 1 September 2016. By the Performance Guarantees dated 1 September 2016, 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 (collectively the "**Artiste Management Agreements and Performance Guarantees**"). The three-year annual caps relating to the Artiste Management Agreements and the Performance Guarantees for the three years ended 31 December 2020, 2021, 2022 as disclosed in the Company's announcement dated 31 December 2019 was expired on 31 December 2022.

As announced by then Company's announcement dated 30 December 2023, the Directors approved the annual caps relating to the Artiste Management Agreements and the Performance Guarantees for the year ended 31 December 2023 and two years ending 31 December 2024 and 2025.

Tailor Made is an indirect non-wholly owned subsidiary of the Company. Mr. Wong is a director of Tailor Made and indirectly holds share interests 22.5% of the issued shares of in 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 constituted 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 2020, 2021 and 2022 with Good Servant exceed 5%, and those with Esther Communications are more than 0.1% but less than 5%. The Artiste Management Agreements and 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 RMB12,937,000 and RMB15,000 respectively during 2023.

(ii) Cooperation Framework Agreement with CMC Inc. and Huaren Wenhua

On 6 May 2022, the Company entered into a cooperation framework agreement with CMC Inc. (“**CMC**”) and Huaren Wenhua Limited Liability Company (“**Huaren Wenhua**”) or their respective Associated Companies in respect of the collaboration in the Investment Projects (as defined below) and in the Artistes Engagement (as defined below) for a term of 3 years from 1 June 2022 to 31 May 2025 (“**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 is Mr. Li Ruigang who is the chairman, a director and a substantial shareholder of the Company and is 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 is 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 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, on an annual basis, 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 annual caps for the transactions contemplated under Cooperation Framework Agreement was approved by the independent Shareholders at the Company's extraordinary general meeting held on 2 June 2022. Details of the Cooperation Framework Agreement were set out in the Company's announcement dated 6 May 2022 and circular dated 13 May 2022.

DIRECTORS' REPORT

During the year ended 31 December 2023, there is no transactions in relation to the (i) Investment Projects, (ii) Artistes Engagement by the Group engaging artistes managed by CMC and/or Huaren Wenhua and/or their respective Associated Companies and (iii) Artistes Engagement by CMC and/or Huaren Wenhua and/or their respective Associated Companies engaging artistes managed by the Group.

All of the independent non-executive Directors of the Company having reviewed the transactions described above and confirmed that the relevant transactions have been entered into:

- 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.

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 36 to 38 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 2023, 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 Inc., Huaren Wenhua, Flagship Entertainment Group Limited ("**Flagship**") and TVB.

Mr. Hui To Thomas, a Non-executive Director of the Company, is also a director of CMC Inc., Huaren Wenhua, Flagship, TVB and Imagine Tiger Television, LLC.

Miss Lok Yee Ling Virginia, an Executive Director of the Company, is also an assistant general manager (talent management and development) of TVB (not a director).

These companies engage in the business which is considered to compete or likely to compete with the principal business of the Group in films, drama and non-drama investments and productions; and/or artiste and event management.

DIRECTORS' REPORT

The Board (including all independent non-executive Directors) considered that, having taken into account the followings, the interest of the Company and the 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 companies;
- b) a member of the management 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 there is or may be conflict of interest.

In addition, since all the major and important corporate actions of the Company are and will be fully considered and determined by the Board, and any Director who is or is deemed to be interested in any proposed transaction will have to fully disclose his/her interest and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the Articles and the Listing Rules from time to time, the Board is of the view 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 ended 31 December 2023.

RETIREMENT BENEFITS SCHEMES

The Group participates in several defined contribution retirement plans that cover the Group's eligible employees in the People's Republic of China and a Mandatory Provident Fund Scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in Note 31 to the Consolidated Financial Statements in this annual report.

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2023 amounted to RMB356 million.

INTEREST BEARING BANK BORROWING

Particulars of interest bearing bank loan of the Group as at 31 December 2023 are set out in Note 26 to the Consolidated Financial Statements in this annual report.

DIRECTORS' REPORT

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

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are set out below:

LONG POSITION IN THE SHARES OF THE COMPANY

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

Notes:

Duplication of shareholdings occurred between parties# shown in the table here and below under the sub-heading of "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares and Debentures".

Share(s) is/are the ordinary share(s) of the Company.

- The percentage was calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2023, which was 1,419,610,000.
- Mr. Li Ruigang was interested in such 425,000,000 Shares through certain corporations controlled directly or indirectly by him. Shine Investment Limited ("Shine Investment"), Shine Holdings Cayman Limited ("Shine Holdings"), CMC Shine Acquisition Limited ("CMC Shine Acquisition"), CMC Shine Holdings Limited ("CMC Shine Holdings"), CMC Inc., GLRG Holdings Limited ("GLRG Holdings"), Gold Pioneer Worldwide Limited ("Gold Pioneer") and Brilliant Spark Holdings Limited ("Brilliant Spark") were the substantial shareholders of the Company. Shine Investment was interested in such 425,000,000 Shares. Shine Investment was 85% owned by Shine Holdings which was wholly-owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Inc. CMC Inc. was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings. Gold Pioneer was wholly-owned by Brilliant Spark. Each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Inc., GLRG Holdings, Gold Pioneer and Brilliant Spark was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Brilliant Spark was wholly-owned and controlled by Mr. Li Ruigang.

Save as disclosed above, none of the Directors and chief executive of the Company or any of their spouses or children under 18 years of age, had interests or short positions in the shares, underlying shares and debentures of the Company, or any of the associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2023, the interests or short positions of the persons (other than the Directors or chief executive of the Company), in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO, are set out below:

LONG POSITION IN THE SHARES OF THE COMPANY

Name of Persons/Entities	Nature	No. of shares held	Approximately percentage of shareholding (Note 1)
Brilliant Spark	Interest of controlled corporation	425,000,000 [#] (Note 2)	29.94%
Gold Pioneer	Interest of controlled corporation	425,000,000 [#] (Note 2)	29.94%
GLRG Holdings	Interest of controlled corporation	425,000,000 [#] (Note 2)	29.94%
CMC Inc.	Interest of controlled corporation	425,000,000 [#] (Note 2)	29.94%
CMC Shine Holdings	Interest of controlled corporation	425,000,000 [#] (Note 2)	29.94%
CMC Shine Acquisition	Interest of controlled corporation	425,000,000 [#] (Note 2)	29.94%
Shine Holdings	Interest of controlled corporation	425,000,000 [#] (Notes 2 and 4)	29.94%
Shine Investment	Beneficial owner	425,000,000 [#] (Notes 2 and 4)	29.94%
TVB	Deemed interest	425,000,000 [#] (Notes 3 and 4)	29.94%
Mr. Xie Qing Yu	Beneficial owner	88,052,000	6.20%

Notes:

Duplication of shareholdings occurred between parties[#] shown in the table here and above under the sub-heading of "Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures of the Company and the Associated Corporation.

- The percentage was calculated based on the total number of ordinary shares in issue as at 31 December 2023, which was 1,419,610,000.
- Shine Investment, Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Inc., GLRG Holdings, Gold Pioneer and Brilliant Spark were the substantial shareholders of the Company. Shine Investment was interested in such 425,000,000 Shares. Shine Investment was 85% owned by Shine Holdings which was wholly-owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Inc. CMC Inc. was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings. Gold Pioneer was wholly-owned by Brilliant Spark. Each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Inc., GLRG Holdings, Gold Pioneer and Brilliant Spark was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Brilliant Spark was wholly-owned and controlled by Mr. Li Ruigang. Mr. Li Ruigang was interested in such 425,000,000 Shares through the above corporations controlled directly or indirectly by him (also see Note 4 below).
- TVB was deemed to be interested in such 425,000,000 Shares through its interest in Shine Investment (also see Note 4 below).
- Shine Investment, Shine Holdings and TVB were parties of the agreement (the "**Agreement**") to hold the interest in such 425,000,000 Shares. The Agreement was the one to which section 317 of the SFO applied.

Save as disclosed above, as at 31 December 2023, 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 and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the Section headed "Directors' and Chief Executive's 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

A new share option scheme of the Company (the "2022 Share Option Scheme") has been approved by the shareholders and at the annual general meeting on 2 June 2022 and the 2022 Share Option Scheme became effective on 2 June 2022.

A summary of the 2022 Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

Purpose of the 2022 Share Option Scheme	To attract and retain the best available Participants and to provide additional incentive to Participants, to promote the success of the business of the Group and for such other purposes as the Board may approve from time to time
Total number of shares available for issue under the 2022 Share Option Scheme and percentage of the issued shares as at the date of this report	The total number of shares available for subscription upon further grant of share options under the 2022 Share Option Scheme is 141,961,000 Shares, representing approximately 10% of the Company's total number of issued shares as at the date of this report
Maximum entitlement of each participant under the 2022 Share Option Scheme	Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue
The period within which the shares must be taken up under an option	At any time during a period as specified by the directors, however in any event the share options must be exercised within 10 years from the date of grant
The minimum period for which an option must be held before it can be exercised	Any period as determined by the directors
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$1 is to be paid as consideration for the grant of option within 28 days from the date of offer

The basis of determining the exercise price	<p>The Exercise Price in respect of each Share issued pursuant to the exercise of Options granted under the 2022 Share Option Scheme shall be a price determined by the Board and notified to a Participant and shall be at least the highest of:</p> <ul style="list-style-type: none">(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Option is granted, which date must be a Business Day;(b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date on which an Option is granted; and(c) the nominal or par value of a Share.
Participants of the 2022 Share Option Scheme	<p>Any executive or non-executive directors (other than the independent non-executive directors) of the Group (or any persons proposed to be appointed as such) or any employees of the Group, any consultant, advisor, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, as absolutely determined by the Board</p>
The remaining life of the 2022 Share Option Schemes	<p>The 2022 Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 2 June 2022</p>

During the year ended 31 December 2023, no share option of the Company has been granted under the 2022 Share Option Scheme. During the year, no option has been granted, exercised, cancelled nor lapsed.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group employed 58 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.

DIRECTORS' REPORT

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Board is charged with the overall responsibility of overseeing strategy, evaluation process, priority and management of environmental, social and corporate governance related issues of the Group.

The reports on environmental and social performance, and compliance of corporate governance for the year ended 31 December 2023 have been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Listing Rules will be published on the website of the Company at www.shawbrotherspictures.com and the website of the Stock Exchange for listed issuers information at www.hkexnews.hk in April 2024.

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 shall retire and being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. 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, 26 March 2024

INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

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 50 to 115, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 PRODUCTIONS IN PROGRESS

Refer to note 21 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 productions 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 productions in progress.

We have identified impairment of investments in films, drama and non-drama and productions in progress as a key audit matter because of the significance to the consolidated 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 investments in films, drama and non-drama and productions in progress by obtaining evidence to support management's judgement and assumptions for estimating future cash flows.

VALUATION OF EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

The key audit matter

The valuation of equity instruments at fair value through other comprehensive income involves significant management judgment and estimates including profit forecast and discounted cash flow model.

We have identified valuation of equity instruments at fair value through other comprehensive income as a key audit matter because of the significance to the consolidated financial statements and the judgement and estimations involved in the valuation.

How the matter was addressed in our audit

Our audit procedures were designed to evaluate the management's valuation of equity instruments at fair value through other comprehensive income and reasonableness of the methodology adopted 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 the valuation of equity instruments at fair value through other comprehensive income 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, but does not include 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 of the Company 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, actions taken to eliminate threats or safeguards applied.

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 Kwan Chi Fung.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Kwan Chi Fung

Practising Certificate Number: P06614

Hong Kong

26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	5	64,536	161,051
Cost of sales		(34,251)	(110,738)
<hr/>			
Gross profit		30,285	50,313
Other income, gains and losses, net	7	14,376	(5,213)
Selling and distribution expenses		(1,456)	(5,550)
Administrative expenses		(35,186)	(37,325)
Impairment loss of investments in films, drama and non-drama	21	(9,140)	(3,877)
Impairment loss of trade receivables	22	(5,518)	(3,974)
Share of loss of an associate	20	(97)	(390)
Finance costs	8	(816)	(624)
<hr/>			
Loss before tax		(7,552)	(6,640)
Income tax expenses	9	(165)	(885)
<hr/>			
Loss for the year	10	(7,717)	(7,525)
<hr/>			
Loss for the year attributable to:			
– Owners of the Company		(2,898)	(302)
– Non-controlling interests		(4,819)	(7,223)
<hr/>			
Loss for the year		(7,717)	(7,525)
<hr/>			
Loss per share			
– Basic and diluted (RMB cents)	13	(0.20)	(0.02)
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Loss for the year	(7,717)	(7,525)
Other comprehensive (expense) income for the year		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of financial statements from functional currency to presentation currency	8,063	33,772
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	(8,328)	1,363
	(265)	35,135
Total comprehensive (expense) income for the year	(7,982)	27,610
Total comprehensive (expense) income for the year attributable to:		
– Owners of the Company	(3,569)	33,268
– Non-controlling interests	(4,413)	(5,658)
	(7,982)	27,610

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Plant and equipment	15	1,608	1,816
Equity instruments at fair value through other comprehensive income	16	24,960	32,629
Right-of-use assets	17	5,701	4,888
Deferred tax assets	18	141	–
Television programme rights	19	2,224	3,269
Interest in an associate	20	77	174
		34,711	42,776
Current assets			
Investments in films, drama and non-drama	21	85,373	42,657
Films, drama and non-drama productions in progress	21	4,294	14,857
Trade and other receivables	22	35,609	109,098
Amounts due from related parties	25	25,349	907
Bank balances and cash	23	306,198	322,828
		456,823	490,347
Current liabilities			
Trade and other payables	24	39,353	52,599
Contract liabilities	24	6,827	5,230
Income tax payables		282	3,875
Lease liabilities	17	3,256	1,349
Amounts due to related parties	25	4,199	23,614
Bank borrowing	26	4,557	4,467
		58,474	91,134
Net current assets		398,349	399,213
Total assets less current liabilities		433,060	441,989
Non-current liabilities			
Lease liabilities	17	3,010	3,957
Net assets		430,050	438,032

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTE	2023 RMB'000	2022 RMB'000
Capital and reserves			
Share capital	27	12,322	12,322
Reserves		436,892	440,471
<hr/>			
Equity attributable to owners of the Company		449,214	452,793
Non-controlling interests		(19,164)	(14,761)
<hr/>			
Total equity		430,050	438,032

The consolidated financial statements on pages 50 to 115 were approved and authorised for issue by the board of directors on 26 March 2024 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 2023

	Attributable to the owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Financial assets at fair value through other comprehensive income reserve RMB'000	Translation reserves RMB'000	Other reserves RMB'000 (Note a)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023	12,322	750,821	743	(2,565)	141,559	(450,087)	452,793	(14,761)	438,032
Loss for the year	-	-	-	-	-	(2,898)	(2,898)	(4,819)	(7,717)
Other comprehensive (expense) income for the year:									
Exchange difference arising on translation of financial statements from functional currency to presentation currency	-	-	-	7,657	-	-	7,657	406	8,063
Fair value loss on investments in equity instruments at FVTOCI	-	-	(8,328)	-	-	-	(8,328)	-	(8,328)
Total comprehensive (expense) income for the year	-	-	(8,328)	7,657	-	(2,898)	(3,569)	(4,413)	(7,982)
Acquisition of additional interest in a subsidiary	-	-	-	-	(10)	-	(10)	10	-
At 31 December 2023	12,322	750,821	(7,585)	5,092	141,549	(452,985)	449,214	(19,164)	430,050
At 1 January 2022	12,322	750,821	(678)	(34,777)	141,080	(449,785)	418,983	(8,561)	410,422
Loss for the year	-	-	-	-	-	(302)	(302)	(7,223)	(7,525)
Other comprehensive income for the year:									
Exchange difference arising on translation of financial statements from functional currency to presentation currency	-	-	-	32,207	-	-	32,207	1,565	33,772
Fair value gain on investments in equity instruments at FVTOCI	-	-	1,363	-	-	-	1,363	-	1,363
Total comprehensive income (expense) for the year	-	-	1,363	32,207	-	(302)	33,268	(5,658)	27,610
Changes in ownership interest (Note b)	-	-	58	5	479	-	542	(542)	-
At 31 December 2022	12,322	750,821	743	(2,565)	141,559	(450,087)	452,793	(14,761)	438,032

Notes:

(a) 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.

(b) Changes in ownership interest in a subsidiary

On 1 March 2022, an indirect non-wholly owned subsidiary, Tailor Made Production Limited (“**Tailor Made**”) issued and allotted 119 shares to an individual third party and 31 shares to its immediate holding company at the consideration of HK\$119 and HK\$31 respectively. After the allotment, the ownership interest of the Group in Tailor Made decreased from 47.1% to 43.1%. The allotment has no impact on the control of the subsidiary as the Group continues to control the board of directors of the subsidiary. Accordingly, the allotment was accounted for as equity transaction and the carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received is recognised directly in equity and attributed to owners of the Company.

On 3 April 2023, the Group acquired additional interest in a subsidiary from its non-controlling shareholders at consideration less than HK\$1,000. The difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid is recognised directly in equity and included in other reserves.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Loss before tax	(7,552)	(6,640)
Adjustments for:		
Finance costs	816	624
Rent concessions	–	(148)
Interest income	(10,305)	(3,987)
Written off of trade payable	(423)	–
Depreciation of plant and equipment	729	670
Depreciation of right-of-use assets	2,287	1,429
Amortisation of television programme rights	1,103	525
Impairment loss of trade receivables	5,518	3,974
Impairment loss of investments in films, drama and non-drama	9,140	3,877
Share of loss of an associate	97	390
Loss on disposal of plant and equipment	–	16
Operating cash inflows before movements in working capital	1,410	730
(Increase) decrease in films, drama and non-drama investments	(50,927)	19,375
Decrease in films, drama and non-drama productions in progress	10,777	54,504
Decrease (increase) in trade and other receivables	68,834	(4,763)
(Decrease) increase in trade and other payables	(13,538)	11,445
Increase (decrease) in contract liabilities	1,542	(82,278)
Decrease in amounts due to related parties	(19,476)	(13,810)
(Increase) decrease in amounts due from related parties	(24,283)	62
Cash used in operations	(25,661)	(14,735)
Income tax paid	(3,899)	(4,748)
NET CASH USED IN OPERATING ACTIVITIES	(29,560)	(19,483)
INVESTING ACTIVITIES		
Placement of bank deposits	(253,828)	–
Release of bank deposits	174,207	–
Interests received	10,653	2,233
Purchases of plant and equipment	(500)	(89)
Capital injection in an associate	–	(100)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(69,468)	2,044

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES			
Repayments of principal elements of lease liabilities	30	(2,140)	(1,051)
Interests paid	30	(816)	(624)
New bank borrowing raised	30	–	4,467
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(2,956)	2,792
NET DECREASE IN CASH AND CASH EQUIVALENTS		(101,984)	(14,647)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		322,828	312,059
Effect of foreign exchange rate changes		5,179	25,416
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		226,023	322,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 investments in films, drama and non-drama and productions in progress and artiste and event management. The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 34.

The functional currency of the Company is Hong Kong dollars (“**HK\$**”). Subsidiaries of the Company have their functional currencies other than HK\$, mainly Renminbi (“**RMB**”). The directors of the Company adopted RMB as presentation currency for the convenience of the financial statements users.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

Impact on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, in light of (i) the related deferred tax arising from right-of-use assets and lease liabilities qualify for offset under HKAS 12, and (ii) the net deferred tax balances are not material to the consolidated financial statements, the Group did not recognise deferred tax assets retrospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual period beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all the amendments to HKFRSs will have no material impact on the Group’s consolidated financial statements in the foreseeable future.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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 (the “**Listing Rules**”) 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.

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 at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

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.

The material accounting policy information are set out below.

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 where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and cease when the Group loses control of the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

BASIS OF CONSOLIDATION *(continued)*

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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.

TELEVISION PROGRAMME RIGHTS

Television programme rights are stated at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for the purchased license rights is recognised on a straight-line basis over their estimated useful lives.

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 films, 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 losses. 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 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(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

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries is stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

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 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group's financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income ("FVTOCI").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

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 at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

The Group's financial assets at amortised cost include trade and other receivables, amounts due from related parties, and bank balances and cash.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, 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.

Interest income is recognised in profit or loss and is included in the "other income, gains and losses, net" line item (note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

Equity instruments designated at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the financial assets at FVTOCI reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

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.

The Group's equity instruments designated at FVTOCI include unlisted equity securities.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for expected credit loss ("**ECL**") on financial assets which are subject to impairment assessment under HKFRS 9 (including trade and other receivables, amounts due from related parties 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. Assessments 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, in which case 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) 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.

(v) 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 and forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL *(continued)*

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.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other income, gains and losses, net" line item as part of the net foreign exchange gains/(losses).

(vi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

INTEREST IN AN ASSOCIATE

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's interest in an associate are accounted for in the consolidated financial statements using the equity method. Under the equity method, interest in an associate are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

The requirements of HKAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate. When necessary, the entire carrying amount of the interest (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the interest. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(continued)*

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

Revenue from films, drama and non-drama productions is recognised at a point in time when the control of assets is transferred to customers, obligations in the agreement has been fulfilled and the right to receive payment is established.

Licence income from television programme licensed for a fixed fee is recognised at a point in time when the television programme materials have been delivered to the licensees and the Group has no remaining obligations to perform.

Revenue from artiste and event management services are recognised at a point in time when the services are rendered.

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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

IMPAIRMENT LOSSES OF 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 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

LEASING

Definition of a lease

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 a lessee

For contracts entered into or modified on or after the date of initial application of HKFRS 16, 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 for the commencement date and do not contain a purchase option) 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 of fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

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.

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 and adjusted for any remeasurement of lease liabilities. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

TAXATION

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and 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 bases 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 (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset 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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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 to 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 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 set out in note 34, Tailor Made is a subsidiary of the Group even though the Group has only a 43% (2022: 43%) ownership interests. Tailor Made is a private company incorporated in Hong Kong.

The directors of the Company assessed the Group's control over Tailor Made 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 by 60% (2022: 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 and therefore the Group has control over Tailor Made 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 2023

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 receivables 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 ECL rate is based on the Group's historical credit loss experience 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 22.

Impairment of investments in films, drama and non-drama and productions in progress

The Group assesses at the end of each reporting period whether there is any indication for impairment of investments in films, drama and non-drama and productions in progress and further assesses if they have suffered any impairment. Such assessment is performed on film-by-film basis at the end of each reporting period. The management determined the provision for impairment of investments in films, drama and non-drama and productions 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 investments in films, drama and non-drama and productions in progress are disclosed in note 21.

Estimated useful lives of television programme rights

The directors of the Company estimate the useful lives of television programme rights in order to determine the amount of amortisation expenses to be recognised in accordance with the accounting policy set out in note 3. The useful lives are estimated at the time the television programme rights is acquired based on the expected revenue, as well as market obsolescence arising from changes in market demands. The directors of the Company also perform annual reviews on whether the assumptions made on useful lives continue to be valid. Such reviews take into account market changes, prospective utilisation, market popularity and public acceptance of the assets concerned. Adjustments may need to be made to the carrying amounts of television programme rights should there be a material difference between the expected revenue and the actual results. During the current year, the directors of the Company determined the useful lives of its television programme rights should be shortened from 8 years to 5 years, due to increased competition from other broadcasters in the People's Republic of China (the "PRC") that offer similar television programme. Details are set out in note 19.

Impairment assessment of television programme rights

The directors of the Company carry out an impairment review on television programme rights at the end of the reporting period and impairment is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determining whether and how much television programme rights are impaired involves management estimates and judgements such as future licensing income and discount rate used in discounting the projected cash flow. As at 31 December 2023, the carrying value of television programme rights was RMB2,224,000 (2022: RMB3,269,000). No impairment has been recognised during the year ended 31 December 2023 (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Fair value of equity instruments at fair value through other comprehensive income

The directors of the Company use their judgement in selecting an appropriate valuation technique for equity instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Equity instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of equity instruments includes some assumptions not supported by observable market prices or rates. With the change of business model for the underlying business of the investee, the future revenue stream or forecasted profitability of the investee is uncertain and involves significant judgment on key assumptions adopted such as revenue growth rate and gross profit margin. The carrying amount of the equity instruments as at 31 December 2023 is approximately RMB24,960,000 (2022: RMB32,629,000). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of equity instruments. Details of the assumptions used are disclosed in note 29.

5. REVENUE

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

	2023 RMB'000	2022 RMB'000
Films, drama and non-drama productions	24,508	117,699
Investments in films, drama and non-drama	11,276	17,749
Artiste management services income	25,044	21,973
Event management services income	3,708	3,630
	64,536	161,051

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

TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATIONS

Except for the contract relating to licence of television program rights, contracts for artiste and event management services and films, drama and non-drama productions are with an original expected duration of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied).

As at 31 December 2022, the amounts of transaction price allocated to the remaining performance obligations related to licence income from television programme rights (unsatisfied or partially unsatisfied) expected to be recognised as revenue within one year is RMB2,329,000. The relevant contract expired during year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. SEGMENT INFORMATION

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

SEGMENT REVENUES, RESULTS, ASSETS AND LIABILITIES

The directors of the Company have chosen to organise the Group around differences in products and services. The Group is principally engaged in 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; and
- (ii) Artiste and event management – the provision of artiste and event management services

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

SEGMENT REVENUES AND RESULTS

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

	Films, drama and non-drama		Artiste and event management		Total	
	Year ended 31 December					
	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	35,784	135,448	28,752	25,603	64,536	161,051
Segment (loss) profit	(8,906)	18,095	7,436	9,659	(1,470)	27,754
Unallocated income					12,985	6,315
Unallocated expenses					(19,067)	(40,709)
Loss before tax					(7,552)	(6,640)

The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 3. Segment (loss) profit represents the (loss) profit incurred by each segment without allocation of interest income, finance costs, certain administrative expenses, other expenses, and other income, gains and losses. 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 2023

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:

	2023 RMB'000	2022 RMB'000
SEGMENT ASSETS		
Films, drama and non-drama	93,701	142,729
Artiste and event management	31,738	22,234
<hr/>		
Total segment assets	125,439	164,963
Unallocated assets	366,095	368,160
<hr/>		
	491,534	533,123
<hr/>		
SEGMENT LIABILITIES		
Films, drama and non-drama	7,394	50,136
Artiste and event management	45,397	37,997
<hr/>		
Total segment liabilities	52,791	88,133
Unallocated liabilities	8,693	6,958
<hr/>		
	61,484	95,091
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For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than plant and equipment, equity instruments at FVTOCI, right-of-use assets, deferred tax assets, amounts due from related parties, 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 lease liabilities and certain accruals and other payables as these liabilities are managed on a group basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION

Amounts regularly provided to the CODM are as follows:

	Films, drama and non-drama RMB'000	Artiste and event management RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2023				
<i>Amounts included in the measure of segments results or segment assets:</i>				
Impairment loss of investments in films, drama and non-drama	9,140	-	-	9,140
Impairment loss of trade receivables	5,518	-	-	5,518
<i>Amounts regularly provided to the CODM but not included in the measure of segment results:</i>				
Additions to non-current assets <i>(Note)</i>	-	-	3,600	3,600
Interest income	-	-	(10,305)	(10,305)
Depreciation of plant and equipment	-	-	729	729
Depreciation of right-of-use assets	-	-	2,287	2,287
Finance costs	-	-	816	816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION *(continued)*

	Films, drama and non-drama RMB'000	Artiste and event management RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2022				
<i>Amounts included in the measure of segments results or segment assets:</i>				
Impairment loss of investments in films, drama and non-drama	3,877	–	–	3,877
<i>Amounts regularly provided to the CODM but not included in the measure of segment results:</i>				
Additions to non-current assets <i>(Note)</i>	–	–	89	89
Interest income	–	–	(3,987)	(3,987)
Depreciation of plant and equipment	–	–	670	670
Depreciation of right-of-use assets	–	–	1,429	1,429
Impairment loss of trade receivables	–	–	3,974	3,974
Finance costs	–	–	624	624

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

The Group's operation is mainly located in the PRC and Hong Kong.

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.

	PRC RMB'000	Hong Kong RMB'000	Others RMB'000	Total RMB'000
<i>Revenue from external customers</i>				
Year ended 31 December 2023	39,979	23,041	1,516	64,536
Year ended 31 December 2022	138,441	22,610	–	161,051

Non-current assets (Note)

As at 31 December 2023	7,223	2,387	–	9,610
As at 31 December 2022	6,769	3,378	–	10,147

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

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2023 RMB'000	2022 RMB'000
Customer A ¹	–	91,109
Customer B ²	18,054	–
Customer C ¹	14,972	–
Customer D ³	10,097	–

¹ Revenue from films, drama and non-drama productions.

² Revenue from films, drama and non-drama productions and artiste and event management.

³ Revenue from artiste and event management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. OTHER INCOME, GAINS AND LOSSES, NET

	2023 RMB'000	2022 RMB'000
Management fee income	1,112	784
Net exchange gain (loss)	192	(11,528)
Interest income	10,305	3,987
Government grants and other subsidies (Note)	182	664
Covid-19 related rent concessions	–	148
Other income in respect of insurance claims received for its film productions	557	–
Written off of trade payable	423	–
Others	1,605	732
	14,376	(5,213)

Note: During the year ended 31 December 2023, government grant of approximately RMB182,000 has been received by the Group's PRC subsidiary which was unconditional and therefore recognised in the consolidated statement of profit or loss. During the year ended 31 December 2022, the Group recognised government subsidy of approximately RMB664,000 in respect of COVID-19, which relates to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region.

8. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interests on:		
Bank borrowing	317	172
Lease liabilities	499	452
	816	624

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. INCOME TAX EXPENSES

	2023 RMB'000	2022 RMB'000
Current tax:		
Hong Kong Profits Tax	344	1,511
PRC Enterprise Income Tax ("EIT")	156	80
	500	1,591
Overprovision in prior years:		
Hong Kong Profits Tax	(9)	(6)
EIT	(185)	(700)
	(194)	(706)
Deferred tax (Note 18)	(141)	–
Total	165	885

- (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%.
- (iii) Under the Law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. INCOME TAX EXPENSES *(continued)*

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

	2023 RMB'000	2022 RMB'000
Loss before tax	(7,552)	(6,640)
Tax at the domestic income tax rate of 16.5% (2022: 16.5%) (Note)	(1,246)	(1,096)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(255)	(1,041)
Effect on adoption of two-tiered profits regime	(149)	(142)
Tax effect of income not taxable	(1,924)	(638)
Tax effect of non-deductible expenses	2,092	4,533
Overprovision in respect of prior years	(194)	(706)
Tax effect of tax losses not recognised	1,754	406
Utilisation of tax losses previously not recognised	(132)	(442)
Effect of tax exemption granted	–	(5)
Others	219	16
Income tax expenses for the year	165	885

Note: The domestic tax rate, which is Hong Kong Profit Tax rate, in the jurisdiction where the operation of the Group is substantially based is used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. LOSS FOR THE YEAR

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

	2023	2022
	RMB'000	RMB'000
Directors' emoluments:		
Fees	1,855	1,705
Contributions to retirement benefits scheme	–	–
	1,855	1,705
Staff costs:		
Salaries and allowances	17,821	17,442
Contributions to retirement benefits scheme	2,161	1,569
	19,982	19,011
Total staff costs (including directors' emoluments)	21,837	20,716
Amortisation of television programme rights	1,103	525
Impairment loss of investment in films, drama and non-drama	9,140	3,877
Impairment loss of trade receivables	5,518	3,974
Auditors' remuneration	977	1,034
Depreciation of plant and equipment	729	670
Depreciation of right-of-use assets	2,287	1,429
Net exchange (gain) loss	(192)	11,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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				
For the year ended 31 December 2023				
<i>Executive director:</i>				
Miss Lok Yee Ling Virginia	706	-	-	706
<i>Chairman and non-executive director:</i>				
Mr. Li Ruigang	380	-	-	380
<i>Non-executive director:</i>				
Mr. Hui To Thomas	217	-	-	217
	597	-	-	597
<i>Independent non-executive directors:</i>				
Mr. Pang Hong	184	-	-	184
Mr. Poon Kwok Hing, Albert	184	-	-	184
Miss Szeto Wai Ling Virginia	184	-	-	184
	552	-	-	552
	1,855	-	-	1,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. DIRECTORS' EMOLUMENTS (continued)

	Directors' fees RMB'000	Performance bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings				
For the year ended 31 December 2022				
<i>Executive director:</i>				
Miss Lok Yee Ling Virginia	647	–	–	647
<i>Chairman and non-executive director:</i>				
Mr. Li Ruigang	350	–	–	350
<i>Non-executive director:</i>				
Mr. Hui To Thomas	195	–	–	195
	545	–	–	545
<i>Independent non-executive directors:</i>				
Mr. Pang Hong	171	–	–	171
Mr. Poon Kwok Hing, Albert	171	–	–	171
Miss Szeto Wai Ling Virginia	171	–	–	171
	513	–	–	513
	1,705	–	–	1,705

No directors of the Company waived or agreed to waive any emoluments for the years ended 31 December 2023 and 2022.

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 2023 and 2022.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2022: one) was the director of the Company whose emolument is set out in note 11 above. The emoluments of the remaining four (2022: four) highest paid individuals were as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances, and other benefits	3,519	3,482
Contributions to retirement benefits scheme	60	62
	3,579	3,544

Their emoluments were within the following bands:

	2023 Number of individuals	2022 Number of individuals
Nil to HK\$1,000,000 (equivalent to approximately RMB904,000) (2022: RMB861,000)	3	3
HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately RMB904,001 to RMB1,356,000) (2022: RMB861,001 to RMB1,292,000)	–	–
HK\$1,500,001 to HK\$2,000,000 (equivalent to approximately RMB1,356,001 to RMB1,808,000) (2022: RMB1,292,001 to RMB1,723,000)	1	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 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

13. LOSS PER SHARE

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

	2023 RMB'000	2022 RMB'000
Loss for the purpose of basic and diluted earnings per share		
Loss for the year attributable to the owners of the Company	(2,898)	(302)
<hr/>		
	2023 '000	2022 '000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	1,419,610	1,419,610
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The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2023 and 2022.

14. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

15. PLANT AND EQUIPMENT

	Office Equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST			
At 1 January 2022	4,941	–	4,941
Additions	89	–	89
Disposal	(310)	–	(310)
Exchange realignment	179	–	179
At 31 December 2022	4,899	–	4,899
Additions	162	338	500
Disposal	(1)	–	(1)
Exchange realignment	78	–	78
At 31 December 2023	5,138	338	5,476
ACCUMULATED DEPRECIATION			
At 1 January 2022	2,541	–	2,541
Provided for the year	670	–	670
Disposal	(294)	–	(294)
Exchange realignment	166	–	166
At 31 December 2022	3,083	–	3,083
Provided for the year	631	98	729
Disposal	(1)	–	(1)
Exchange realignment	57	–	57
At 31 December 2023	3,770	98	3,868
NET CARRYING AMOUNTS			
At 31 December 2023	1,368	240	1,608
At 31 December 2022	1,816	–	1,816

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

Office equipment	3 to 5 years
Motor vehicles	3 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

16. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000
Unlisted investments:		
Equity securities	24,960	32,629

The above unlisted equity investments represented the Group's equity interest in private entities. 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
Equity instruments at fair value through other comprehensive income – unlisted:	
At 1 January 2022	28,616
Fair value gain	1,363
Exchange realignment	2,650
At 31 December 2022 and 1 January 2023	32,629
Fair value loss (Note)	(8,328)
Exchange realignment	659
At 31 December 2023	24,960

Note: During the year ended 31 December 2023, fair value loss of approximately RMB8,328,000 was recognised in other comprehensive income. The directors of the Company considered that the decrease in fair value was mainly attributed to change of business model for the underlying business of the investee.

17. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

(I) RIGHT-OF-USE ASSETS

	2023 RMB'000	2022 RMB'000
Office premises	5,701	4,888

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

Additions to the right-of-use assets for the year ended 31 December 2023 amounted to approximately RMB3,100,000 (2022: Nil), due to new leases of office premises located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

(II) LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Non-current	3,010	3,957
Current	3,256	1,349
	6,266	5,306

	2023 RMB'000	2022 RMB'000
Amount payable under lease liabilities		
Within one year	3,256	1,349
After one year but within two years	2,212	1,510
After two years but within five years	798	2,447
	6,266	5,306

During the year ended 31 December 2023, the Group entered into a number of new lease agreements in respect of renting office premises and recognised lease liabilities of RMB3,100,000 (2022: Nil).

Rent concessions

During the year ended 31 December 2022, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction.

(III) AMOUNTS RECOGNISED IN PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Depreciation expenses on right-of-use assets		
– office premises	2,287	1,429
Interest expenses on lease liabilities	499	452
Expenses relating to short-term leases	830	842
Covid-19 related rent concessions	–	(148)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

(IV) OTHERS

During the year ended 31 December 2023, the total cash outflow for leases is amounting to approximately RMB3,469,000 (2022: RMB2,345,000).

18. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	141	–

The following are the major deferred tax (liabilities) assets movements during the current and prior years:

	Right-of-use assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022 and 31 December 2022	–	–	–
Deferred tax credit (charged) to profit or loss	(1,425)	1,566	141
At 31 December 2023	(1,425)	1,566	141

At the end of the reporting period, the Group has unused tax losses of approximately RMB19,248,000 (2022: RMB14,759,000) available for offset against future profits and may be carried forward indefinitely.

In addition, at the end of the reporting period, the estimated unutilised tax losses attributable to subsidiaries in the PRC amounted to approximately RMB6,389,000 (2022: RMB1,047,000), that will expire within five years from the end of the respective reporting period.

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 2023

19. TELEVISION PROGRAMME RIGHTS

	Television programme rights RMB'000
COST	
At 1 January 2022	3,990
Exchange realignment	369
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At 31 December 2022 and 1 January 2023	4,359
Exchange realignment	88
<hr/>	
At 31 December 2023	4,447
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ACCUMULATED AMORTISATION	
At 1 January 2022	499
Provided for the year	525
Exchange realignment	66
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At 31 December 2022 and 1 January 2023	1,090
Provided for the year	1,103
Exchange realignment	30
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At 31 December 2023	2,223
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NET CARRYING AMOUNTS	
At 31 December 2023	2,224
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At 31 December 2022	3,269
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Note: During the current year, the directors of the Company determined the useful lives of its television programme rights should be shortened from 8 years to 5 years, due to increased competition from other broadcasters in PRC that offer similar television programme. The financial effect of the reassessment, assuming the assets are held until the end of their estimated useful lives, is to increase amortisation expense by approximately RMB578,000 during the year ended 31 December 2023, and also for the years ending 31 December 2024 and 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. INTEREST IN AN ASSOCIATE

A non-wholly owned subsidiary of the Group established an associate, Guangdong Haimei Mutual Entertainment Culture Media Co., Ltd.* (廣東海美互娛文化傳媒有限公司) (“**Guangdong Haimei**”) with three independent third parties during 2021. The registered capital of Guangdong Haimei is RMB10,000,000, among which, RMB2,000,000 to be contributed by the Group. The subsidiary held 20% equity interest in the associate. As at 31 December 2023, the capital commitment of the Group in relation to the unpaid registered capital is RMB1,000,000 (2022: RMB1,000,000).

	2023 RMB'000	2022 RMB'000
Cost of interest in an associate	1,000	1,000
Share of loss of an associate	(923)	(826)
	77	174

Details of the Group's associate at the end of the reporting period are as follows:

Company name	Place of establishment/ incorporation	Principal place of operation	Proportion of ownership interest and proportion of voting rights held by the Group		Principal activity
			At 31 December 2023	2022	
Guangdong Haimei	PRC	Guangzhou, PRC	20%	20%	Event management

* The English name is for identification only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

	2023 RMB'000	2022 RMB'000
Investments in films, drama and non-drama	121,549	69,094
Less: accumulated impairment	(36,176)	(26,437)
	85,373	42,657

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 films, drama and non-drama projects.

During the year ended 31 December 2023, due to delay of the publication date and changes in the economic environment, the management considered that impairment indicators arose from investments in films, drama and non-drama, an accumulated impairment loss of approximately RMB36,176,000 (2022: RMB26,437,000) was recognised in respect of investments in films, drama and non-drama under films, drama and non-drama segment. The impairment was made based on management's estimation of the recoverable amount against the carrying amount of investments in films, drama and non-drama. The estimated recoverable amount as at 31 December 2023 was determined based on the present value of expected future revenues and related cash flows arising from investments in films, drama and non-drama, discounting at rates ranging from 8% to 13.9% (2022: 12.6%).

The movement in the impairment loss of investments in films, drama and non-drama is as follows:

	Impairment loss of investments in films, drama and non-drama RMB'000
Balance as at 1 January 2022	20,824
Loss allowance recognised	3,877
Exchange realignment	1,736
Balance as at 31 December 2022 and 1 January 2023	26,437
Loss allowance recognised	9,140
Exchange realignment	599
Balance as at 31 December 2023	36,176

	2023 RMB'000	2022 RMB'000
Films, drama and non-drama productions in progress	4,294	14,857

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 2023

22. TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	31,410	91,589
Less: allowance for impairment of trade receivables	(14,860)	(9,316)
	16,550	82,273
Other receivables and deposits	3,355	12,058
Prepayments	15,704	14,767
Trade and other receivables	35,609	109,098

As at 31 December 2023, the gross amount of trade receivables arising from contracts with customers amounted to RMB31,410,000 (2022: RMB91,589,000).

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:

	2023 RMB'000	2022 RMB'000
Within 90 days	12,646	61,567
91 to 180 days	393	1,379
181 to 365 days	2,386	442
Over 365 days	1,125	18,885
Total	16,550	82,273

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.

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 end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

22. TRADE AND OTHER RECEIVABLES *(continued)*

The Group recognised lifetime ECL for trade receivables with gross carrying amount of RMB31,410,000 (2022: RMB91,589,000) as at 31 December 2023, based on individually assessment for significant debtors and collectively for remaining debtors by applying expected credit loss rates ranging from 0.43% to 100% (2022: from 2.22% to 100%). Impairment loss of RMB14,860,000 is made as at 31 December 2023 (2022: RMB9,316,000).

The Group measured 12m ECL on other receivables and the impairment loss of RMB27,000 is made as at 31 December 2023 (2022: RMB27,000).

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

	Impairment loss of trade receivables	Impairment loss of other receivables	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2022	5,163	27	5,190
Loss allowance recognised	3,974	–	3,974
Exchange realignment	179	–	179
<hr/>			
At 31 December 2022 and 1 January 2023	9,316	27	9,343
Loss allowance recognised	5,518	–	5,518
Exchange realignment	26	–	26
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At 31 December 2023	14,860	27	14,887

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 2023

23. BANK BALANCES AND CASH

	2023 RMB'000	2022 RMB'000
Cash and bank balances	38,926	59,476
Term deposits with maturity date less than three months	187,097	263,352
	226,023	322,828
Cash and cash equivalents	226,023	322,828
Term deposits with maturity date over three months	80,175	-
	306,198	322,828

Bank balances and time deposits carry interest at market rates ranging as follows per annum:

	2023	2022
Bank balances	0.001%-0.875%	0.001%-0.625%
Term deposits	1.25%-5.50%	1.5%-5.25%

The carrying amounts of the Group's term deposits and bank balances and cash denominated in currencies other than functional currencies of the relevant group entities at the end of the reporting period are as follows:

	2023	2022
RMB	10,751	104,316
USD	470	3,074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Trade payables	29,086	28,917
Other payables	7,574	15,061
Accrued payroll and accruals	2,693	8,621
	10,267	23,682
Trade and other payables	39,353	52,599
Contract liabilities	6,827	5,230

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

	2023 RMB'000	2022 RMB'000
Within 90 days	14,636	8,167
91 to 180 days	5,360	762
181 to 365 days	6,311	6,724
Over 365 days	2,779	13,264
Total	29,086	28,917

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

Contract liabilities mainly represent advance billings to the customers for films, drama and non-drama production. 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 2023 that was included in the contract liabilities at the beginning of the year is RMB3,577,000 (2022: RMB82,996,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year. As at 31 December 2023 and 2022, all contract liabilities are expected to be recognised as income within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

25. BALANCES WITH RELATED PARTIES

(A) AMOUNTS DUE FROM RELATED PARTIES

	2023	2022	Maximum amount outstanding during 2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from				
<i>Trade nature</i>				
- 廣州埋堆堆科技有限公司 (Note v)	924	-	1,105	-
- 廣州齊齊整傳媒有限公司 (Note v)	618	-	4,178	-
- 上海翡翠東方網絡信息技術有限公司 (Note v)	2,570	-	2,570	-
- MyTV Super Limited (Note v)	9	-	9	425
- Television Broadcasts Limited ("TVB") (Note i)	16,026	-	16,026	180
- TVB Publications Limited (Note v)	59	-	59	102
- Mr. Wong Cho Lam (Note ii)	4,012	-	4,012	-
<i>Non-Trade nature</i>				
- 廣東采星坊演藝諮詢服務有限公司 (Notes iv and v)	1,131	907	1,903	907
	25,349	907		

Amounts due from related parties amounting to approximately RMB1,131,000 (2022 : RMB907,000) are non-trade nature, and being interest-free, unsecured and repayable on demand. The remaining balance of amounts due from related companies are trade nature, and which the Group generally allows an average credit period ranging from 30 days to 270 days from the receipt of goods and services to these related parties. The following is an aged analysis of amounts due from related parties which are being trade nature, net of impairment loss recognised presented based on the invoice dates, which approximated the respective revenue recognition dates, are as follows:

	2023	2022
	RMB'000	RMB'000
Within 90 days	16,444	-
91 to 180 days	2,238	-
181 to 365 days	5,536	-
Total	24,218	-

As at 31 December 2023 and 2022, in determining the expected credit losses for the amounts due from related parties, the directors of the Company have taken into account the financial position of its related parties, and also considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default from its related parties. During the years ended 31 December 2023 and 2022, no impairment allowance was provided for amounts due from related parties as the amount of expected credit loss is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

25. BALANCES WITH RELATED PARTIES *(continued)*

(B) AMOUNTS DUE TO RELATED PARTIES

	2023 RMB'000	2022 RMB'000
Amounts due to		
<i>Trade nature</i>		
– TVB (Note i)	1,434	2,109
– Mr. Wong Cho Lam (Note ii)	–	14,779
– Ms. Li Yanan Leanne (Note iii)	48	6,220
– 上海翡翠東方傳播有限公司 (Notes iv and v)	2,269	–
– Good Servant Production Limited (Note ii)	38	–
<i>Non-trade nature</i>		
– TVB (Notes i and iv)	41	506
– Mr. Wong Cho Lam (Notes ii and iv)	120	–
– 華人文化有限責任公司 (Notes iv and vi)	249	–
	4,199	23,614

Amounts due to related parties amounting to approximately RMB410,000 (2022: RMB506,000) are non-trade nature, and are being interest-free, unsecured and repayable on demand. The remaining balance of amounts due to related parties are trade nature, and which the credit period with these related parties for purchase of goods and services ranges from 60 days to 180 days. The following is an aged analysis of amounts due to related parties which are being trade nature, presented based on the invoice dates at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Within 90 days	2,355	14,124
91 to 180 days	–	2,446
181 to 365 days	–	4,136
Over 365 day	1,434	2,402
	3,789	23,108

Notes:

- i. TVB held indirect equity interest in the Company, and Mr. Li Ruigang, the chairman, director and substantial shareholder of the Company also held beneficial interests and directorship in TVB.
- ii. Mr. Wong Cho Lam, who is a director and a non-controlling shareholder of Tailor Made, held 100% equity interests of Good Servant Production Limited.
- iii. Ms. Li Yanan Leanne, who is the spouse of Mr. Wong Cho Lam, is deemed to be interested in Tailor Made in which Mr. Wong Cho Lam is interested.
- iv. The amounts are unsecured, interest-free and repayable on demand.
- v. These companies are subsidiaries of TVB.
- vi. Mr. Li Ruigang, the chairman, director and substantial shareholder of the Company held beneficial interests and directorship in 華人文化有限責任公司.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

26. BANK BORROWING

	2023 RMB'000	2022 RMB'000
Bank borrowing contains a repayment on demand clause:		
Unsecured	4,557	4,467

During the year ended 31 December 2022, the Group obtained a bank borrowing of HK\$5,000,000 (equivalent to approximately RMB4,467,000) to finance the general working capital of the Group. On 20 December 2023, the Group has received written notification from the relevant bank for agreeing to extend the maturity date from 4 January 2024 to 3 January 2025.

As at 31 December 2023 and 2022, the Group's bank borrowing carried floating rate at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.8% per annum.

As at 31 December 2023 and 2022, banking facilities were secured by the unlimited personal guarantee provided by a director and a non-controlling shareholder of Tailor Made.

27. SHARE CAPITAL

	Number of shares		Share capital	
	2023 '000	2022 '000	2023 HK\$'000	2022 HK\$'000
Ordinary shares of HK\$0.01 each				
<i>Authorised:</i>				
At end of the year	10,000,000	10,000,000	100,000	100,000
<i>Issued and fully paid:</i>				
At end of the year	1,419,610	1,419,610	14,196	14,196
			RMB'000	RMB'000
Presented as			12,322	12,322

28. 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 net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

29. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortised cost	351,452	418,066
Financial assets at FVTOCI	24,960	32,629
	376,412	450,695
Financial liabilities		
Liabilities measured at amortised cost	48,109	80,680

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, amounts due from related parties, equity instruments designated at FVTOCI, bank balances and cash, trade and other payables, amounts due to related parties and bank borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB and USD.

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:

	2023		2022	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
USD	470	-	3,074	-
RMB	10,751	-	104,316	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

29. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(i) Foreign currency risk (continued)

Sensitivity analysis

The Group entities are mainly exposed to the fluctuation of USD and RMB.

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in functional currency of respective entities against the relevant foreign currencies for the year ended 31 December 2023. 5% (2022: 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% (2022: 5%) change in foreign currency rates.

A negative number below indicates an increase in loss before tax (2022: increase in loss before tax) for the year where the functional currencies of the relevant group entity strengthen 5% (2022: 5%) against the relevant foreign currencies. For a 5% (2022: 5%), weakening of the relevant functional currencies against the relevant foreign currency, there would be an equal and opposite impact on the loss before tax (2022: loss before tax) for the year.

	2023 RMB'000	2022 RMB'000
Impact to loss before tax	(562)	(5,370)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances (see note 23 for details). 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 management considers the Group's exposure of the bank balances to cash flow interest rate risk is not significant as the management does not anticipate significant fluctuation in interest rate on bank balances due to their short-term maturities.

Sensitivity analysis

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

29. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

As at 31 December 2023, 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 determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. 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 70% (2022: 48%) and 86% (2022: 50%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

29. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

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 cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023				
Non-derivative financial liabilities				
Trade and other payables	39,353	–	39,353	39,353
Amounts due to related parties	4,199	–	4,199	4,199
Bank borrowing	4,949	–	4,949	4,557
	48,501	–	48,501	48,109
Lease liabilities	3,574	3,128	6,702	6,266
At 31 December 2022				
Non-derivative financial liabilities				
Trade and other payables	52,599	–	52,599	52,599
Amounts due to related parties	23,614	–	23,614	23,614
Bank borrowing	4,787	–	4,787	4,467
	81,000	–	81,000	80,680
Lease liabilities	1,702	4,329	6,031	5,306

Bank borrowing with a repayment on demand clause is included in the “on demand or within one year” time band in the above maturity analysis. As at 31 December 2023, the aggregate amount of the bank borrowing amounted to approximately RMB4,557,000 (2022: RMB4,467,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowing will be repaid in accordance with the scheduled repayment dates. At that time, the aggregate principal and interest cash outflows will amount to RMB4,949,000 (2022: RMB4,787,000), with the details as follow:

	Within one year RMB'000	One to two years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023	389	4,560	4,949	4,557
At 31 December 2022	317	4,470	4,787	4,467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

29. 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)	Sensitivity
	31 December 2023	31 December 2022				
Private equity investments at FVTOCI	24,960	32,629	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.	1. Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries at 2.5% (2022: 2.5%). 2. Discount rate, taking into account of weighted average cost of capital (WACC) determined using a Capital Asset Pricing Model at 21.9% (2022: 21.56%). 3. Discount for lack of marketability at 20.5% (2022: 20.6%).	1. The higher the long term growth rate, the higher the fair value, vice versa. 2. The higher the discount rate, the lower the fair value, vice versa. 3. The higher the discount rate, the lower the fair value, vice versa.

(D) RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

	Private equity investments at FVTOCI RMB'000
At 1 January 2022	28,616
Fair value gain	1,363
Exchange realignment	2,650
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At 31 December 2022 and 1 January 2023	32,629
Fair value loss	(8,328)
Exchange realignment	659
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At 31 December 2023	24,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. 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.

	Lease liabilities RMB'000	Bank borrowing RMB'000	Total RMB'000
As at 1 January 2022	6,505	–	6,505
Financing cash (outflows) inflows	(1,503)	4,295	2,792
Non-cash changes			
Interest charge	452	172	624
Rent concessions	(148)	–	(148)
As at 31 December 2022	5,306	4,467	9,773
Financing cash outflows	(2,639)	(317)	(2,956)
Non-cash changes			
Additions	3,100	–	3,100
Interest charge	499	317	816
Exchange adjustments	–	90	90
As at 31 December 2023	6,266	4,557	10,823

31. RETIREMENT BENEFITS SCHEMES

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

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

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2023, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to approximately RMB2,161,000 (2022: RMB1,569,000).

During the years ended 31 December 2023 and 2022, there was no forfeited contributions under the defined contribution schemes and no utilisation of forfeited contributions. As at 31 December 2023 and 2022, the Group had no forfeited contribution available to reduce its contribution to the retirement schemes in future years (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. RELATED PARTY TRANSACTIONS

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

(A) TRANSACTIONS

Name of company	Notes	Nature of transaction	2023 RMB'000	2022 RMB'000
TVB and its subsidiaries ("TVB Group")	i, ii	Films, drama and non-drama production income	15,761	10,278
		Artiste management income	2,436	1,754
		Service income	9	345
		License income	3,980	4,494
		Management fee income	1,131	772
		Project income*	–	1,687
		Project income	166	–
		Talent income*	–	2,948
		Rental expenses under short-term leases	(430)	(381)
		Consultancy fee	(228)	(233)
		Talent fee	(522)	(383)
Service fee	(619)	(586)		
Mr. Wong Cho Lam and Good Servant Production Limited	iii	Artiste management income*	12,937	8,713
Ms. Li Yanan Leanne	iv	Artiste management income*	15	4,138
華人文化有限責任公司	v	Rental expenses under short-term leases	(249)	–

* These are regarded as continuing connected transactions as defined under the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. RELATED PARTY TRANSACTIONS (continued)

(A) TRANSACTIONS (continued)

Notes:

- i. TVB had indirect equity interest in the Company, and Mr. Li Ruigang, the chairman, director and substantial shareholder of the Company also held beneficial interests and directorship in TVB.
- ii. The income was received from (fees paid to) TVB Group, including TVB, TVB Publications Limited, MyTV Super Limited, 77 Atelier Limited, 廣州齊齊整整傳媒有限公司, 廣州埋堆堆科技有限公司, 上海翡翠東方傳播有限公司, 上海翡翠東方網絡信息技術有限公司 and 廣東采星坊演藝諮詢服務有限公司 during the year.
- iii. Mr. Wong Cho Lam, who is a director and a non-controlling shareholder of Tailor Made, held 100% equity interests of Good Servant Production Limited.
- iv. Ms. Li Yanan Leanne, who is the spouse of Mr. Wong Cho Lam. is deemed to be interested in Tailor Made in which Mr. Wong Cho Lam is interested.
- v. Mr. Li Ruigang, the chairman, director and substantial shareholder of the Company held beneficial interests and directorship in 華人文化有限責任公司.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	2023 RMB'000	2022 RMB'000
Short-term benefits	5,374	5,187
Post-employment benefits	60	62
	5,434	5,249

(C) BANKING FACILITIES

A non-controlling shareholder of Tailor Made, who is also a director of Tailor Made, has provided unlimited personal guarantee for the grant of banking facilities to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Interests in subsidiaries		1	1
Current assets			
Other receivables		216	351
Amounts due from subsidiaries	(b)	367,018	356,571
Bank balances and cash		2,730	3,443
		369,964	360,365
Current liabilities			
Other payables		1,386	1,470
Income tax payables		–	8
		1,386	1,478
Net current assets		368,578	358,887
Net assets		368,579	358,888
Capital and reserves			
Share capital		12,322	12,322
Reserves	(a)	356,257	346,566
Total equity		368,579	358,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Notes:

(a) Reserves

	Share premium RMB'000	Translation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	750,821	(30,915)	(404,841)	315,065
Profit for the year	–	–	1,146	1,146
Other comprehensive income for the year: Exchange difference arising on translation of financial statements from functional currency to presentation currency	–	30,355	–	30,355
Total comprehensive income for the year	–	30,355	1,146	31,501
At 31 December 2022	750,821	(560)	(403,695)	346,566
At 1 January 2023	750,821	(560)	(403,695)	346,566
Profit for the year	–	–	2,414	2,414
Other comprehensive income for the year: Exchange difference arising on translation of financial statements from functional currency to presentation currency	–	7,277	–	7,277
Total comprehensive income for the year	–	7,277	2,414	9,691
At 31 December 2023	750,821	6,717	(401,281)	356,257

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(A) GENERAL INFORMATION OF SUBSIDIARIES

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

Name of subsidiaries	Place/Country of incorporation or registration/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Equity interest and voting power attributable to the Group		Proportion ownership interest held by the Company		Principal activities
				Indirect		2023	2022	
				2023	2022			
Shaw Brothers Pictures International Limited (邵氏兄弟國際影業有限公司)	Hong Kong 23 March 2016	Ordinary	HK\$10	100%	100%	100%	100%	Investments in films, drama and non-drama and Artiste and event management
Tailor Made	Hong Kong 31 March 2016	Ordinary	HK\$1,000	43%	43%	43%	43%	Investments in films, drama and non-drama and Artiste and event management
*北京藍媒手工藝創作文化有限公司	PRC 11 Mar 2017	Ordinary	HK\$30,000,000	43%	43%	43%	43%	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.

* 北京藍媒手工藝創作文化有限公司 is a limited company established in the PRC.

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 2023	31 December 2022
Investment holding	BVI	2	2
	Hong Kong	1	1
Investments in films, drama and non-drama and Artiste and event management	Hong Kong	1	–
Artiste and event management	The PRC	2	2
	Hong Kong	1	1
Investments in films, drama and non-drama	Hong Kong	2	2
Inactive	The PRC	2	2
	BVI	1	1
	Hong Kong	8	9
		20	20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

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

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

Name of subsidiaries	Proportion of ownership interests held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
	2023	2022	2023	2022	2023	2022
	%	%	RMB'000	RMB'000	RMB'000	RMB'000
Tailor Made and its subsidiaries	57%	57%	(4,804)	(7,205)	(18,521)	(14,136)
Individually immaterial subsidiaries with non-controlling interest			(15)	(18)	(643)	(625)
Total			(4,819)	(7,223)	(19,164)	(14,761)

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 shown in Tailor Made's consolidated financial statements prepared in accordance with HKFRSs and before intra group eliminations.

Tailor Made and its subsidiaries	2023 RMB'000	2022 RMB'000
Current assets	29,174	60,186
Non-current assets	7,004	6,749
Current liabilities	(72,886)	(93,146)
Non-current liabilities	(2,864)	(3,957)
Deficit attributable to owners of the Company	(21,051)	(16,032)
Non-controlling interests	(18,521)	(14,136)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

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

	2023 RMB'000	2022 RMB'000
Revenue and other income	23,198	38,535
Expenses	(31,640)	(51,114)
Loss for the year	(8,442)	(12,579)
Loss attributable to owners of the Company	(3,638)	(5,374)
Loss attributable to the non-controlling interests	(4,804)	(7,205)
Loss for the year	(8,442)	(12,579)
Other comprehensive expense attributable to owners of the Company	(420)	(1,641)
Other comprehensive expense attributable to the non-controlling interests	(537)	(2,167)
Other comprehensive expense for the year	(957)	(3,808)
Total comprehensive expense for the year	(9,399)	(16,387)
Net cash outflow from operating activities	(1,623)	(8,120)
Net cash (outflow) inflow from investing activities	(354)	2
Net cash (outflow) inflow from financing activities	(2,875)	2,792
Net cash outflow	(4,852)	(5,326)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

35. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2023, the Group entered into a number of new lease agreements in respect of renting office premises. Right-of-use assets and lease liabilities of RMB3,100,000 were recognised at the commencement of the leases.

36. CAPITAL COMMITMENTS

The Group had the following commitments as the end of each reporting period:

	2023 RMB'000	2022 RMB'000
Capital injection commitments to an associate	1,000	1,000

FIVE YEARS 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)

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	64,536	161,051	215,518	114,373	302,227
Gross Profit	30,285	50,313	80,880	42,114	113,163
Total comprehensive (expense) income for the year	(7,982)	27,610	5,068	(24,339)	17,269

ASSETS AND LIABILITIES

(As at 31 December)

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	491,534	533,123	582,753	586,933	596,983
Total liabilities	(61,484)	(95,091)	(172,331)	(181,579)	(167,290)
Net assets	430,050	438,032	410,422	405,354	429,693