SHAW BROTHERS HOLDINGS LIMITED
邵氏兄弟控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00953)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "Board") of directors (the "Directors") of Shaw Brothers Holdings Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 (the "Year") were as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** **RMB'000**	2016 *RMB'000* (Re-presented)
Continuing operation			
Revenue	*3*	**152,831**	93,855
Cost of sales		**(117,589)**	(83,345)
Gross profit		**35,242**	10,510
Other income	*4*	**2,616**	2,610
Selling and distribution expenses		**(3,241)**	(24)
Administrative expenses		**(36,918)**	(36,582)
Other operating expenses		**(1,100)**	(5,000)
Finance costs	*5*	**(1,664)**	(1,739)
Loss before tax		**(5,065)**	(30,225)
Income tax	*6*	**(1,050)**	–

	Notes	2017 RMB'000	2016 RMB'000 (Re-presented)
Loss and total comprehensive expense for the year from continuing operation	7	**(6,115)**	(30,225)
Discontinued operation			
Loss and total comprehensive expense for the year from discontinued operation		**(446)**	(8,585)
Loss and total comprehensive expense for the year		**(6,561)**	(38,810)
Loss and total comprehensive expense for the year attributable to owners of the Company:			
– From continuing operation		**(6,999)**	(26,873)
– From discontinued operation		**(226)**	(4,378)
		(7,225)	(31,251)
Profit (loss) and total comprehensive income (expense) for the year attributable to non-controlling interests:			
– From continuing operation		**884**	(3,352)
– From discontinued operation		**(220)**	(4,207)
		664	(7,559)
Total loss and total comprehensive expense for the year		**(6,561)**	(38,810)
Loss per share			
From continuing and discontinued operations			
– Basic and diluted *(RMB cents)*	8	**(0.509)**	(2.322)
From continuing operation			
– Basic and diluted *(RMB cents)*	8	**(0.493)**	(1.997)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**1,949**	55,358
Prepaid lease payments		**–**	10,372
		1,949	65,730
Current assets			
Inventories		**–**	17,010
Loan receivable		**6,522**	20,380
Trade and other receivables	*11*	**106,514**	101,888
Deposit paid for potential acquisition		**25,836**	25,836
Investments in films, drama and non-drama	*10*	**62,747**	46,205
Films, drama and non-drama productions in progress	*10*	**65,182**	–
Prepaid lease payments		**–**	297
Financial asset at fair value through profit or loss	*12*	**25,074**	–
Bank balances and cash		**144,222**	344,237
		436,097	555,853
Assets classified as held for sales		**187,270**	–
		623,367	555,853
Current liabilities			
Trade and other payables	*13*	**30,183**	26,924
Income tax payables		**1,050**	–
Amounts due to related companies		**4,698**	28,496
Secured bank borrowings		**33,000**	121,800
		68,931	177,220
Liabilities directly associated with assets classified as held for sales		**118,583**	–
		187,514	177,220
Net current assets		**435,853**	378,633
		437,802	444,363
Capital and reserves			
Share capital		**12,322**	12,322
Reserves		**394,292**	401,517
Equity attributable to owners of the Company		**406,614**	413,839
Non-controlling interests		**31,188**	30,524
Total equity		**437,802**	444,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the investments in films, drama and non-drama productions and artiste and event management. The Company acts as an investment holding company and engaged in the investments in films, drama and non-drama productions and artiste and event management.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	2017 ***RMB'000***	2016 *RMB'000* (Re-presented)
Investments in films, drama and non-drama productions income	**106,444**	44,195
Artiste and event management services income	**45,986**	35,203
Others	**401**	14,457
	152,831	93,855

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

During the year ended 31 December 2017, the Company has entered into an agreement to dispose of the 51% interests in Amber Jungle Limited and its subsidiaries which were previously included in manufacturing and trading segment. The directors of the Company considered such business was classified as discontinued operation during the year ended 31 December 2017. The segment information does not include the discontinued business. The other business previously included in manufacturing and trading segment are included in other segment below.

Segment revenues, results, assets and liabilities

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

(i) Investments in films, drama and non-drama productions – investments, production and distribution of films, drama and non-drama;

(ii) Artiste and event management – the provision of artiste and event management services; and

(iii) Others – trading and other activities including management and administrative function.

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

Segment revenues and results

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

Continuing operation:

	Investments in films, drama and non-drama productions		Artiste and event management		Others		Total	
	Year ended 31 December							
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Re-presented)		(Re-presented)		(Re-presented)		(Re-presented)
Segment revenue	**106,444**	44,195	**45,986**	35,203	**401**	14,457	**152,831**	93,855
Segment profit (loss)	**11,004**	8,762	**4,466**	(4,893)	**(3,692)**	(5,542)	**11,778**	(1,673)
Unallocated income							**2,616**	2,550
Unallocated expenses							**(19,459)**	(31,102)
Loss before tax							**(5,065)**	(30,225)

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

Segment assets and liabilities

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

Continuing operation:

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
SEGMENT ASSETS		
Investments in films, drama and non-drama productions	**165,118**	65,212
Artiste and event management	**27,928**	33,083
Others	**35,700**	132,835
Unallocated	**209,300**	390,453
Total segment assets	**438,046**	621,583
Assets relating to discontinued operation/assets classified as held for sales	**187,270**	–
	625,316	621,583
SEGMENT LIABILITIES		
Investments in films, drama and non-drama productions	**9,341**	3,669
Artiste and event management	**24,187**	30,959
Others	**–**	17,882
Unallocated	**35,403**	124,710
Total segment liabilities	**68,931**	177,220
Liabilities relating to discontinued operation/liabilities classified as held for sales	**118,583**	–
	187,514	177,220

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

- all assets are allocated to operating segments other than a loan receivable, deposit paid for potential acquisition, financial asset at fair value through profit or loss, bank balances and cash and certain other receivables and prepayments as these assets are managed on a group basis; and

- all liabilities are allocated to operating segments other than bank borrowings, certain amounts due to related companies and certain other payables as these liabilities are managed on a group basis.

Geographical information

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

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

Continuing operation:

	The PRC	**Hong Kong**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers			
Year ended 31 December 2017	**30,236**	**122,595**	**152,831**
Year ended 31 December 2016 (Re-presented)	14,457	79,398	93,855
Non-current assets			
As at 31 December 2017	**673**	**1,276**	**1,949**
As at 31 December 2016	65,272	458	65,730

Information about major customers

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

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Customer A[1 & 2]	**N/A***	51,187
Customer B[1]	**91,873**	N/A*

[1] *Revenue from investments in films, drama and non-drama productions*
[2] *Revenue from artiste and event management services income*
* *The corresponding revenue did not contribute over 10% of the total revenue of the Group.*

4. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Government grants *(Note)*	**–**	8
Net exchange gain	**1,304**	1,306
Interest income	**1,244**	1,244
Gain on disposal of property, plant and equipment	**–**	3
Net fair value gain on financial asset at fair value through profit or loss	**68**	–
Others	**–**	49
	2,616	2,610

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

5. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Interest expenses on bank borrowings wholly repayable within five years	**1,664**	1,739

6. INCOME TAX

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Current tax:		
Hong Kong Profits Tax	**320**	–
PRC Enterprise Income Tax ("EIT")	**730**	–
	1,050	–

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

(ii) Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2016 and 2017. Tax exemptions represented reduction of Hong Kong Profits Tax for the year of assessment of 2016/2017 by 75%, subject to a ceiling of HK$20,000 per case.

(iii) Under the Law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years ended 31 December 2016 and 2017.

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

Continuing operation

	2017 ***RMB'000***	2016 *RMB'000* (Re-presented)
Salaries and allowances	**13,483**	8,974
Contributions to retirement benefits scheme	**1,453**	946
Total staff costs	**14,936**	9,920
Impairment loss on other prepayment	**1,100**	4,566
Auditors' remuneration	**1,214**	1,027
Depreciation of property, plant and equipment	**309**	69
Research and development cost	**–**	434
Operating lease rentals in respect of office premises	**1,744**	494

8. LOSS PER SHARE

From continuing and discontinued operations

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

	2017 ***RMB'000***	2016 *RMB'000* (Re-presented)
Loss		
Loss for the purpose of basic and diluted loss per share	**(7,225)**	(31,251)

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,419,610**	1,345,771

Note:

The weighted average number of ordinary shares in issue during the year ended 31 December 2016 assuming 1,345,771,000 ordinary shares were in issued during the year ended 31 December 2016 after taking into account the ordinary shares issued pursuant to the placing completed on 25 April 2016.

The dilutive 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 2017 and 2016.

From continuing operation

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

	2017	2016
	RMB'000	*RMB'000*
		(Re-presented)
Loss		
Loss for the purpose of basic and diluted loss per share	**(6,999)**	(26,873)

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

From discontinued operation

Basic and diluted loss per share for the discontinued operation is RMB0.016 cents per share (2016: loss per share RMB0.325 cents per share), based on the loss for the year from the discontinued operation of approximately RMB226,000 (2016: approximately RMB4,378,000) and the denominators detailed above for basic and diluted loss per share.

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

10. INVESTMENTS IN FILMS, DRAMA AND NON-DRAMA AND PRODUCTIONS IN PROGRESS

	2017	2016
	RMB'000	*RMB'000*
Investments in films, drama and non-drama	**62,747**	46,205

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**46,205**	24,456
Additions	**29,414**	56,506
Recognised in cost of sales	**(12,872)**	(34,757)
At 31 December	**62,747**	46,205

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

During the year ended 31 December 2017, the Group recognised the cost of investments in films, drama and non-drama of approximately RMB12,872,000 (2016: approximately RMB34,757,000) and no impairment loss on the investments in films, drama and non-drama (2016: nil) was recognised based on the expected future revenue to be generated from the films, drama and non-drama with reference to their marketability and current market condition.

	2017	2016
	RMB'000	*RMB'000*
Films, drama and non-drama productions in progress	**65,182**	–

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**–**	–
Additions	**146,350**	–
Recognised in cost of sales	**(81,168)**	–
At 31 December	**65,182**	–

Films, drama and non-drama productions in progress represent 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 are stated at cost incurred to date, less any identified impairment losses.

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**58,092**	64,826
Other receivables	**1,879**	432
Prepayments	**46,543**	36,630
Other receivables and prepayments	**48,422**	37,062
Trade and other receivables	**106,514**	101,888

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**40,424**	60,277
91 to 180 days	**–**	796
181 to 365 days	**17,668**	3,753
Total	**58,092**	64,826

12. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	RMB'000	*RMB'000*
Bond:		
Current	**25,074**	–

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

13. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**8,106**	7,895
Other payables	**15,437**	12,972
Other tax payables	**75**	2,838
Receipts in advance	**2,753**	2,065
Accrued payroll and staff welfare	**3,812**	1,154
	22,077	19,029
Trade and other payables	**30,183**	26,924

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**7,946**	3,970
91 to 180 days	**160**	226
181 to 365 days	**–**	796
Over 365 days	**–**	2,903
Total	**8,106**	7,895

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

14. OPERATING LEASES

The Group as lessee

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

	2017	2016
	RMB'000	*RMB'000*
Within one year	**1,130**	411
In the second to fifth year inclusive	**689**	582
	1,819	993

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Despite a slowdown of growth in total box office revenue in the PRC in 2016, the film industry market still presented steady growth in 2017 which reached around RMB55.9 billion box office revenue in 2017, emerging as one of the largest movie markets in the world. The Group has seized this opportunity and carried out a series of quality projects of movies and drama and non-drama with effective utilization of its own financial resources.

Business Review

To focus on its strategic direction in the entertainment industry, the Group has also further streamlined its business structure through disposal of its stagnant sports business in the second half of 2017, 51% interest in Amber Jungle Limited (the “Disposal”), a non-wholly-owned subsidiary of the Company (as of the date of Disposal) which has had the Company to suffer loss and net cash outflows for the last several years. After the Disposal, the Group is able to optimize and focus its financial resources and management efforts to potential investment opportunities on film, drama and non-drama projects and artiste management business which could drive more attractive returns to the Group. Details of the Disposal are set out in the announcements of the Company dated 26 July 2017 and 25 September 2017 and the circular of the Company dated 25 October 2017.

To capitalise on its industry network and resources, on 29 November 2016, the Company entered into a cooperation framework agreement with CMC Holdings Limited (“CMC Holdings”) and 華人文化有限責任公司 (English transliteration for identification purpose: Huaren Wenhua Limited Liability Company) (“Huaren Wenhua”) (collectively “CMC”) pursuant to which the Company, CMC Holdings and Huaren Wenhua agree to cooperate in (i) film investments and (ii) artistes management. The ultimate controlling shareholder of both CMC Holdings and Huaren Wenhua is Mr. Li Ruigang who is the chairman, a director and a substantial shareholder of the Company. The term of the above cooperation framework agreement is 3 years from 1 January 2017 to 31 December 2019, subject to the fulfilment of the condition precedent of the cooperation framework agreement when the Company has complied with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The above cooperation framework agreement has been approved by the shareholders of the Company (the “Shareholders”) at the extraordinary general meeting dated 13 March 2017. Details of the cooperation framework agreement are set out in the Company’s announcements dated 29 November 2016 and 16 February 2017 and its circular despatched to Shareholders on 17 February 2017.

The cooperation framework agreement allows the Company and CMC to have collaboration in films investment and artiste engagement, in which resources and experiences in areas of film development and production, artiste management as well as film distribution network in the PRC and worldwide could be mutually shared.

During the year ended 31 December 2017 (the "Year"), revenue of the Group increased by approximately RMB93,215,000 from approximately RMB187,633,000 for year of 2016 to approximately RMB280,848,000 for the year 2017. Revenue for the Year included the income generated from continuing operation that is, mainly entertainment business which contributed approximately RMB152,831,000 (2016: approximately RMB93,855,000). Revenue for the Year also included approximately RMB128,017,000 generated from discontinued operation of sportswear business (2016: approximately RMB93,778,000). Revenue from continuing operation of entertainment business for the Year increased by 62.8%, which contributed 54.4% of the total revenue of the Year. Discontinued operation of sportswear business for the Year contributed 45.6% of the total revenue of the Year.

Entertainment

Drama and Non-Drama Investments and Productions

Drama and non-drama investments and productions contributed significantly in the revenue of entertainment business for the year of 2017. The contribution is mainly from the investment and productions of drama series "Flying-Tiger"（飛虎極戰）, and the non-drama series "One of us"（勝利的游戲）. These two series contributed totally approximately RMB106,444,000 to the revenue and approximately RMB12,404,000 to the gross profit of continuing operation for the Year. "Flying-Tiger", starring Bosco Wong（黃宗澤）, Michael Miu（苗喬偉）, Ron Ng（吳卓羲）and Michael Wong（王敏德）, had completed shooting and the revenue was recognised in the Year. "Flying-Tiger" is expected to commence first broadcasting in YOUKU（優酷）and its connected platforms in the second quarter of 2018. "One of us" had also completed the production in the first half of the Year through one of the Group's non-wholly owned subsidiary, Tailor Made Production Limited ("Tailor Made"), and had already be shown online on various platforms during the Year. In addition, "The Guard"（守護神）, another drama series production project signed with iQiyi（愛奇藝）and started production in the fourth quarter of the Year, has as well completed principal shooting in January 2018 and is expected to come after "Flying-Tiger" as another exciting drama series in 2018.

Film Investments and Productions

During the Year, the Group has made investments in films including "Son of the Neon Night"（風林火山）and "House of the Rising Sons"（我要高飛）. "Son of the Neon Night" is an adventure action film directed by Juno Mak（麥浚龍）and starring Takeshi Kaneshiro（金城武）, Tony Leung（梁家輝）, Louis Koo（古天樂）, Sean Lau（劉青雲）and Gao Yuanyuan（高圓圓）. "House of the Rising Sons"（我要高飛）is an inspirational film directed by Antony Chan（陳友）which narrates the growth of a team of young people who are enthusiastic in music. Both films are expected to be released in 2018.

Given the encouraging outcome, the Group places strong confidence in the long-run prospect of film and drama and non-drama investments and productions and is expected to continue allocation of substantial resources in this promising segment in the forthcoming years.

Artiste and Event Management

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

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

During the Year, artiste and event management business, another main source of income of the Company, generated revenue of approximately RMB45,986,000 and gross profit of approximately RMB22,648,000. Apart from the 5 artistes who had joined the Group in 2016, 15 artistes have joined the Group with artiste management agreements or workshops in Hong Kong, PRC and overseas during the Year. With the joining of more and more famous and fresh new talents, the Group can take advantages of a richer pool of talents to complement its film and drama and non-drama investments and productions segment on one hand, and also diversify its business mix on the other. The Group will therefore continue the development of artistes management business in 2018.

Discontinued Operation of Sportswear Business

The Group has ceased operation in sporting goods manufacturing and trading after the disposal of remaining 51% interest in Amber Jungle Limited which holds the only manufacturing plant of the Group and is principally engaged in manufacturing and trading of sporting goods. The discontinued operation recorded revenue of approximately RMB128,017,000 and net loss of approximately RMB446,000 for the Year (2016: approximately RMB93,778,000 and RMB8,585,000 respectively).

Financial Review

The Group's consolidated revenue of continuing operation for the Year recorded approximately RMB152,831,000 (2016: approximately RMB93,855,000), representing an increase of approximately 62.8% or approximately RMB58,976,000 from last year. The increase in revenue was mainly attributable to the increase in income from investment in films and drama and non-drama productions which significantly increased by 140.9% to approximately RMB106,444,000 from approximately RMB44,195,000 of last year, together with the contribution of income from artiste and event management which contributed approximately RMB45,986,000 (2016: approximately RMB35,203,000). Loss from continuing operation for the Year amounted to approximately RMB6,115,000, as compared to loss of approximately RMB30,225,000 in 2016. This significant decrease in loss was mainly due to the contribution from substantially increased gross profit generated from entertainment business. Loss per share from continuing operation for the Year amounted to approximately RMB0.493 cents (2016: loss per share approximately RMB1.997 cents).

The discontinued operation of sportswear business recorded revenue of approximately RMB128,017,000 and net loss of approximately RMB446,000 for the Year (2016: approximately RMB93,778,000 and RMB8,585,000 respectively).

Revenue

Investment in films and drama and non-drama productions reported revenue and gross profit of approximately RMB106,444,000 and RMB12,404,000 respectively for the Year (2016: approximately RMB44,195,000 and RMB9,437,000 respectively), which increased by approximately 140.9% and 31.4% respectively from last year. Artiste and event management reported revenue and gross profit of approximately RMB45,986,000 and RMB22,648,000 respectively for the Year (2016: approximately RMB35,203,000 and RMB5,302,000 respectively).

Segment and geographical information in 2017

	The PRC *RMB'000*	Hong Kong *RMB'000*	Total *RMB'000*
Revenue			
Investments in films and drama and non-drama productions	12,872	93,572	106,444
Artiste and event management	16,963	29,023	45,986
Others	401	–	401
	30,236	122,595	152,831
Gross profit			
Investments in films and drama and non-drama productions	–	12,404	12,404
Artiste and event management	11,084	11,564	22,648
Others	190	–	190
	11,274	23,968	35,242

Cost of sales

Cost of sales of continuing operation increased by approximately 41.1% to approximately RMB117,589,000 for the Year (2016: approximately RMB83,345,000) of which the investments in films and drama and non-drama productions amounted to approximately RMB94,040,000, and the direct costs incurred for artiste and event management amounted to approximately RMB23,338,000. Cost of sales of discontinued operation of sportswear business increased by approximately 33.9% to approximately RMB100,186,000 for the Year (2016: approximately RMB74,828,000) which is due to the increase in sales.

Selling, marketing and Administrative Expenses

Selling and marketing expenses of continuing operation for the Year amounted to approximately RMB3,241,000 (2016: approximately RMB24,000). The increase is mainly due to the increase in marketing and promotion activities for entertainment business during the Year. Administrative expenses for the Year amounted to approximately RMB36,918,000, (2016: approximately RMB36,582,000). Selling and marketing expenses and administrative expenses of discontinued operations for the Year were approximately RMB1,819,000 and RMB23,032,000 respectively (2016: approximately RMB3,037,000 and RMB32,353,000 respectively).

Income Tax

The income tax expenses of the Group for the Year was approximately RMB1,050,000 (2016: RMB nil).

Trade and Other Receivables and Provision for Impairment Loss

Trade receivables from third parties for the Year decreased by approximately 10.4% to approximately RMB58,092,000 (2016: approximately RMB64,826,000). Provision for impairment of approximately RMB1,100,000 had been made in respect of trade and other receivables of continuing operation for the Year (2016: approximately RMB4,566,000).

Details of trade and other receivables as at 31 December 2017 are set out in Note 11 to the consolidated financial statements in this announcement.

Liquidity and Financial Resources

The Group financed its operations with internal resources and bank borrowings. As at 31 December 2017, bank balances and cash in hand and short-term bank deposits amounted to approximately RMB144,222,000, decreased by approximately RMB200,015,000 from approximately RMB344,237,000 as at 31 December 2016. The decrease was mainly because the Group had substantial investment in film and drama and non-drama production projects during the Year, and approximately RMB108,487,000 was classified as assets held for sales in discontinued operation as at 31 December 2017. As at 31 December 2017, the Group's bank and cash balances were denominated in Renminbi, Hong Kong Dollars and United States Dollars.

Pledge of Assets

As at 31 December 2017, the Group secured its bank borrowings by prepaid land lease payments and buildings held for own use which were classified as assets held for sales in discontinued operation as at 31 December 2017, with an aggregate carrying amount of approximately RMB56,832,000 (2016: approximately RMB61,796,000).

Capital Structure

As at 31 December 2017, the Group's equity attributable to owners of the Company decreased by approximately 1.7% to approximately RMB406,614,000 (31 December 2016: approximately RMB413,839,000). Total assets amounted to approximately RMB625,316,000 (31 December 2016: approximately RMB621,583,000) which included current assets amounting to approximately RMB436,097,000 (31 December 2016: approximately RMB555,853,000). Current liabilities were approximately RMB68,931,000 (31 December 2016: approximately RMB177,220,000). Net assets value per share attributable to the owners of the Company as at 31 December 2017 was approximately RMB28.6 cents (31 December 2016: approximately RMB30.8 cents). Current ratio was approximately 6.33 as at 31 December 2017 (31 December 2016: approximately 3.14).

As at 31 December 2017, the number of total issued shares of the Company was 1,419,610,000 shares.

Capital Commitments and Contingent Liabilities

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

Final Dividend

No final dividend was recommended by the Board for the year ended 31 December 2017.

Loss Attributable to Shareholders and Net Loss Margin

For the Year, loss attributable to the owners of the Company amounted to approximately RMB7,225,000, representing a decrease of approximately 76.9% as compared to that in 2016 (2016: loss attributable to the owners of the Company amounted to approximately RMB31,251,000). Net loss margin from continuing operation of the Group dropped to approximately 4.6% (2016: approximately 28.6%).

Foreign Exchange Risk

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

Gearing Ratio

As at 31 December 2017, the gearing ratio of the Group was approximately 5.28% (2016: approximately 19.6%), which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

Interest-Bearing Bank Borrowings

As at 31 December 2017, the Group's bank borrowings amounted to approximately RMB33,000,000 (2016: approximately RMB121,800,000), bearing interest rates from 4.39% to 5.00% (2016: 4.39% to 5%), which were all due within one year.

Human Resources

As at 31 December 2017, the Group had a total of 592 employees (as at 31 December 2016: 528 employees).

Material Acquisition and Disposal

On 26 July 2017, the Company entered into the Agreement with the Champ Luck Enterprise Limited (the "Purchaser"), pursuant to which the Company has agreed to sell and the Purchaser has agreed to acquire the sale interests, representing 51% of the issued share capital of the Amber Jungle Limited and its subsidiaries, for a total cash consideration of HK$41,000,000. Amber Jungle Limited is a company established in the BVI with limited liability. Amber Jungle Limited and its subsidiaries are principally engaged in the manufacturing and trading of sporting goods.

Save as disclosed above, the Group did not have any other material acquisition and disposal of subsidiaries and associated companies during the Year.

Compliance with the Relevant Laws and Regulations

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

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling of used papers and energy saving. Details of the environmental policies and performance of the Group will be disclosed in the "Environmental, Social and Governance Report" which will be included in 2017 Annual Report to be published in due course.

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 Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of shareholders and devote considerable effort to identifying and formalising best practice.

The Group's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules).

The Board considered that the Company had complied with the code provisions of the Code (the "Code Provisions") during the Year and up to the date of this announcement, except for the deviation from Code Provision E.1.2 of the Code as stated below.

Code Provision E.1.2

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

Mr. Li Ruigang, the Chairman of the Board, was unable to attend the AGM for 2017 due to other business engagement. However, another Director had chaired the AGM for 2017 and answered questions from the shareholders of the Company.

The AGM provides a channel for communication between the Board and the shareholders of the Company. Other than the AGM, the shareholders may communicate with the Company through the contact information as set out in the annual report.

Audit Committee

The Company established the Audit Committee (the "Audit Committee") on 6 January 2010 with written terms of reference, which is available on the websites of the Stock Exchange and the Company, are in compliance with the code provisions of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control and risk management systems of the Company. As at the date of this announcement, the Audit Committee consists of three members comprising Mr. Poon Kwok Hing Albert (Chairman), Mr. Pang Hong and Miss Szeto Wai Ling Virginia, all being independent non-executive Directors.

During the Year, the Audit Committee had reviewed the interim results and final results of the Group for the Year. The Group's final results for the Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this announcement, and confirmed that this announcement complies with the applicable standard, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This announcement is published on the website of the Stock Exchange and the website of the Company at www.shawbrotherspictures.com. The annual report of the Group for the year ended 31 December 2017 will be despatched to Shareholders at the appropriate time and will be available on the Company's website at www.shawbrotherspictures.com and the website of the Stock Exchange in due course.

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

Hong Kong, 20 March 2018

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

Chairman and Non-executive Director
Mr. Li Ruigang

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

Non-executive Director
Mr. Hui To Thomas

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

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