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 2018

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 2018 (the "Year") were as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000*
Continuing operation			
Revenue	*3*	**217,997**	152,831
Cost of sales		**(149,764)**	(117,589)
Gross profit		**68,233**	35,242
Other income	*4*	**3,039**	2,616
Gain on disposal of subsidiaries		**801**	–
Selling and distribution expenses		**(12,009)**	(3,241)
Administrative expenses		**(46,844)**	(36,918)
Other operating expenses		**(3,011)**	(1,100)
Finance costs	*5*	**(823)**	(1,664)
Profit (loss) before tax		**9,386**	(5,065)
Income tax	*6*	**(2,146)**	(1,050)
Profit (loss) for the year from continuing operation	*7*	**7,240**	(6,115)

	Note	2018 *RMB'000*	2017 *RMB'000*
Discontinued operation			
Profit (loss) for the year from discontinued operation		**1,050**	(446)
Profit (loss) for the year		**8,290**	(6,561)
Profit (loss) for the year attributable to owners of the Company:			
– From continuing operation		**11,516**	(6,999)
– From discontinued operation		**1,050**	(226)
		12,566	(7,225)
(Loss) profit for the year attributable to non-controlling interests:			
– From continuing operation		**(4,276)**	884
– From discontinued operation		**–**	(220)
		(4,276)	664
Total profit (loss) for the year		**8,290**	(6,561)
Earnings (loss) per share			
From continuing and discontinued operations			
– Basic and diluted *(RMB cent)*	*8*	**0.885**	(0.509)
From continuing operation			
– Basic and diluted *(RMB cent)*	*8*	**0.811**	(0.493)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**1,138**	1,949
Equity instruments at fair value through other comprehensive income		**1,676**	–
		2,814	1,949
Current assets			
Loan receivable		**–**	6,522
Consideration receivables		**5,321**	–
Trade and other receivables	*11*	**102,865**	106,514
Deposit paid for potential acquisition		**–**	25,836
Amount due from a related company		**7,519**	–
Investments in films, drama and non-drama	*10*	**89,588**	62,747
Films, drama and non-drama productions in progress	*10*	**91,500**	65,182
Financial asset at fair value through profit or loss	*12*	**24,719**	25,074
Bank balances and cash		**135,351**	144,222
		456,863	436,097
Assets classified as held for sale		**–**	187,270
		456,863	623,367

	Note	2018 RMB'000	2017 RMB'000
Current liabilities			
Trade and other payables	*13*	**24,457**	30,183
Contract liabilities	*13*	**10,849**	–
Income tax payables		**3,079**	1,050
Amounts due to related companies		**–**	4,698
Bank borrowings		**8,868**	33,000
		47,253	68,931
Liabilities associated with assets classified as held for sale		**–**	118,583
		47,253	187,514
Net current assets		**409,610**	435,853
		412,424	437,802
Capital and reserves			
Share capital		**12,322**	12,322
Reserves		**406,705**	394,292
Equity attributable to owners of the Company		**419,027**	406,614
Non-controlling interests		**(6,603)**	31,188
Total equity		**412,424**	437,802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

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

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

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

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

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

2.1 HKFRS 9 Financial Instruments

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

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

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

Classification and measurement of financial instruments

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

Loss allowance for expected credit losses ("ECL")

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

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

2.2 HKFRS 15 Revenue from Contracts with Customers

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

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

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

– Investments in films, drama and non-drama and productions income

– Artiste and event management services income

– Other trading income

Summary of effects arising from initial application of HKFRS 15

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

During the year ended 31 December 2017, the Company has entered into an agreement to dispose of the 51% interests in Amber Jungle Limited and its subsidiaries (collectively referred to as the "Disposal Group") which were previously included in manufacturing and trading segment. The directors of the Company considered such business was classified as discontinued operation during the year ended 31 December 2017 and 2018. 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 in progress and artiste and event management.

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

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

(iii) Others – trading and other activities.

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

Segment revenues and results

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

Continuing operation:

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

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

Segment assets and liabilities

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

Continuing operation:

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

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

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

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

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 (excluded financial 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 2018	**173,507**	**44,490**	**217,997**
Year ended 31 December 2017	30,236	122,595	152,831
Non-current assets			
As at 31 December 2018	**420**	**718**	**1,138**
As at 31 December 2017	673	1,276	1,949

Information about major customers

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

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

[1] *Revenue from films, drama and non-drama production*

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

4. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Net exchange gain	**305**	1,304
Interest income	**2,425**	1,244
Interest income from investment in bond *(Note 12)*	**202**	68
Others	**107**	–
	3,039	2,616

5. FINANCE COSTS

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

6. INCOME TAX

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

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

(ii) Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2017 and 2018.

(iii) Under the Law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 December 2017 and 2018.

7. PROFIT (LOSS) FOR THE YEAR

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

Continuing operation

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

8. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

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

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

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

From continuing operation

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

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

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

From discontinued operation

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

9. DIVIDENDS

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

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

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

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

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

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

11. TRADE AND OTHER RECEIVABLES

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

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

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

12. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

13. TRADE AND OTHER PAYABLES / CONTRACT LIABILITIES

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

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

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

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

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:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

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

Business Review

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

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

Film, Drama and Non-Drama Productions

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

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

Artiste and Event Management

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

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

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

Others

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

Disposal of Subsidiaries

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

Financial Review

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

Revenue

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

Segment and geographical information in 2018

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

Cost of sales

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

Selling, Marketing and Administrative Expenses

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

Income Tax

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

Trade and Other Receivables and Provision for Impairment Loss

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

Details of trade and other receivables as of 31 December 2018 are set out in Note 11 to the consolidated financial statements of this announcement.

Contract Liabilities

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

Liquidity and Financial Resources

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

Pledge of Assets

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

Capital Structure

As of 31 December 2018, the Group's equity attributable to owners of the Company increased by 3% to approximately RMB419,027,000 (2017: approximately RMB406,614,000). Total assets amounted to approximately RMB459,677,000 (2017: approximately RMB625,316,000) which included current assets of approximately RMB456,863,000 (2017: approximately RMB436,097,000). Current liabilities were approximately RMB47,253,000 (2017: approximately RMB68,931,000). Net assets value per share attributable to owners of the Company was approximately RMB29.05 cents (2017: approximately RMB30.84 cents). Current ratio was approximately 9.7 (2017: approximately 6.3).

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

Capital Commitments and Contingent Liabilities

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

Final Dividend

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

Profit (Loss) Attributable to Shareholders and Net Profit Margin

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

Foreign Exchange Risk

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

Gearing Ratio

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

Interest-Bearing Bank Borrowings

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

Human Resources

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

Compliance with the Relevant Laws and Regulations

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

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling of used papers and energy saving. Details of the environmental policies and performance of the Group will be disclosed in the "Environmental, Social and Governance Report" which will be included in 2018 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

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

Code Provision E.1.2

Code Provision E.1.2 stipulates that the chairman of the board, among other things, should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees and other committees (as appropriate) to attend or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company. Mr. Li Ruigang, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 21 June 2018 ("2018 AGM") due to other prior business engagement. However, Mr. Hui To Thomas, a non-executive Director chaired the 2018 AGM and answered questions from the shareholders of the Company.

The latest Corporate Governance Report of the Company will be included in the Company's annual report for the Year which will be available on our website at www.shawbrotherspictures.com.

Audit Committee

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

The primary duties of the Audit Committee are 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.

The Audit Committee has 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 together with Management 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 auditor.

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 (including the Resigned Alternate Director) confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions for the Year.

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 2018 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
Li Ruigang
Chairman

Hong Kong, 19 March 2019

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