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 THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "Board") of directors (the "Directors") of Shaw Brothers Holdings Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 (the "Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Continuing operation			
Revenue	4	**36,367**	47,386
Cost of sales		**(19,484)**	(24,979)
Gross profit		**16,883**	22,407
Other income		**3,556**	2,852
Gain on disposal of subsidiaries		**–**	801
Selling and distribution expenses		**(3,041)**	(2,950)
Administrative expenses		**(14,811)**	(16,050)
Other operating expenses		**–**	(400)
Finance costs	6	**(460)**	(790)
Profit before tax		**2,127**	5,870
Income tax expense	7	**(856)**	(1,004)
Profit for the period for continuing operation	8	**1,271**	4,866

	Note	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Discontinued operations			
Profit for the period from discontinued operations		**–**	1,050
Profit for the period		**1,271**	5,916
Profit for the period attributable to owners of the Company:			
– From continuing operation		**1,450**	3,866
– From discontinued operations		**–**	1,050
		1,450	4,916
(Loss) profit for the period attributable to non-controlling interests:			
– From continuing operation		**(179)**	1,000
– From discontinued operations		**–**	–
		(179)	1,000
Profit for the period		**1,271**	5,916
Earnings per share			
From continuing and discontinued operations			
– Basic and diluted *(RMB cents)*	*9*	**0.10**	0.35
From continuing operation			
– Basic and diluted *(RMB cents)*		**0.10**	0.27

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**1,271**	5,916
Other comprehensive income for the period		
Item that will not be reclassified to income statement:		
Fair value gain on investments in equity instruments at fair value through other comprehensive income	**635**	–
Total comprehensive income for the period	**1,906**	5,916
Total comprehensive income for the period attributable to owners of the Company:		
– From continuing operation	**1,704**	3,866
– From discontinued operation	**–**	1,050
	1,704	4,916
Total comprehensive income for the period attributable to non-controlling interests:		
– From continuing operation	**202**	1,000
– From discontinued operation	**–**	–
	202	1,000

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**888**	1,138
Equity instruments at fair value through other comprehensive income		**2,611**	1,676
		3,499	2,814
Current assets			
Trade and other receivables	*11*	**78,168**	102,865
Consideration receivables		**–**	5,321
Amount due from a related company		**–**	7,519
Investments in films, drama and non-drama		**91,727**	89,588
Films, drama and non-drama productions in progress		**130,141**	91,500
Financial asset at fair value through profit or loss		**–**	24,719
Bank balances and cash		**260,759**	135,351
		560,795	456,863
Current liabilities			
Trade and other payables	*12*	**30,897**	24,457
Contract liabilities	*12*	**100,844**	10,849
Amount due to a related company		**1,102**	–
Income tax payables		**3,935**	3,079
Bank borrowings		**13,186**	8,868
		149,964	47,253
Net current assets		**410,831**	409,610
		414,330	412,424

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital and reserves		
Share capital	**12,322**	12,322
Reserves	**408,409**	406,705
Equity attributable to owners of the Company	**420,731**	419,027
Non-controlling interests	**(6,401)**	(6,603)
Total equity	**414,330**	412,424

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new and amendments to HKFRSs

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

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

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

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

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

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

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

The Group as lessee

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

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

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

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

Note:

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

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

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4 Determining whether an Arrangement contains a Lease;

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

3.1.2 Change in accounting policy

Definition of a lease

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

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

Lease liabilities

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

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

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

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use asset

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

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

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

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

Lease modification

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

4. REVENUE

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

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

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

5. SEGMENT INFORMATION

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

Segment revenues, results, assets and liabilities

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

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

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

(iii) Others – trading and other activities.

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

Segment revenues and results

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

Continuing operation

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

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

Segment assets and liabilities

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

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

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

- all assets are allocated to operating segments other than property, plant and equipment, consideration receivable, financial asset at fair value though profit or loss, equity instrument at fair value through other comprehensive income and bank balances and cash as these assets are managed on a group basis; and

- all liabilities are allocated to operating segments other than bank borrowings as these liabilities are managed on a group basis.

Information about major customers

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

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

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

[2] *Revenue from artiste management*

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

6. FINANCE COSTS

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

7. INCOME TAX

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

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

(ii) Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2019.

(iii) Under the Law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both the six months ended 30 June 2018 and 2019.

8. PROFIT FOR THE PERIOD

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

Continuing operation

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

9. EARNINGS PER SHARE

From continuing and discontinued operations

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

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

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

From continuing operation

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

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

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

From discontinued operations

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

10. DIVIDENDS

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

11. TRADE AND OTHER RECEIVABLES

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 are as follows:

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

12. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

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

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

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

During the six months ended 2019, the contract liabilities increased mainly due to advance billings to the customers for films, drama and non-drama productions. In general, the Group receives certain percentage of the contract sum when enter the agreements depends on the negotiation with individual customers. These deposits are recognised as contract liabilities until the products are given to the customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

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

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

Business Review

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

	Six months ended 30 June					
	2019			2018		
	Investments in films, drama and non-drama productions	**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	**15,215**	**18,158**	**2,994**	10,714	35,012	1,660

Film and Drama and Non-Drama Productions

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

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

Artiste and Event Management

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

Financial Review

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

Revenue

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

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

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

Cost of Sales

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Income Tax

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

Trade and Other Receivables and Provision for Impairment Loss

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

Details of trade and other receivables as at 30 June 2019 are set out in Note 11 to the condensed consolidated financial statements in this announcement.

Contract Liabilities

Contract liabilities for the Period amounted to approximately RMB100,844,000 (31 December 2018: RMB10,849,000), mainly representing receipts in advance from film, drama and non-drama projects. Details of contract liabilities as at 30 June 2019 are presented in accordance with HKFRS 15 as set out in Note 12 to the condensed consolidated financial statements of this announcement.

Liquidity and Financial Resources

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

Pledge of Assets

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

Capital Structure

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

Capital Commitments and Contingent Liabilities

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

Profit Attributable to Shareholders and Net Profit Margin

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

Foreign Exchange Risk

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

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

Gearing Ratio

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

Interest-Bearing Bank Borrowings

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

Human Resources

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

Outlook

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

INTERIM DIVIDEND

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

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

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

CORPORATE GOVERNANCE

The Company was in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

REVIEW OF INTERIM RESULTS

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

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND THE INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.shawbrotherspictures.com. The interim report of the Group for the six months ended 30 June 2019 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 at www.hkexnews.hk in due course.

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

Hong Kong, 20 August 2019

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

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