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 2019

The board of Directors (the "Board") 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 2019, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
Continuing operations			
Revenue	*3*	**302,227**	217,997
Cost of sales		**(189,064)**	(149,764)
Gross profit		**113,163**	68,233
Other income	*4*	**3,198**	3,039
Gain on disposal of subsidiaries		**–**	801
Selling and distribution expenses		**(23,430)**	(12,009)
Administrative expenses		**(49,640)**	(46,844)
Other operating expenses		**(5,352)**	(3,011)
Finance costs	*5*	**(1,101)**	(823)
Profit before tax		**36,838**	9,386
Income tax expenses	*6*	**(17,563)**	(2,146)
Profit for the year from continuing operations	*7*	**19,275**	7,240

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Discontinued operations			
Profit for the year from discontinued operations		**–**	1,050
Profit for the year		**19,275**	8,290
Profit for the year attributable to owners of the Company:			
– From continuing operations		**17,891**	11,516
– From discontinued operations		**–**	1,050
		17,891	12,566
Profit (loss) for the year attributable to non-controlling interests:			
– From continuing operations		**1,384**	(4,276)
– From discontinued operations		**–**	–
		1,384	(4,276)
Total profit for the year		**19,275**	8,290
Earnings per share			
From continuing and discontinued operations			
– Basic and diluted *(RMB cent)*	*8*	**1.260**	0.885
From continuing operations			
– Basic and diluted *(RMB cent)*	*8*	**1.260**	0.811

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Plant and equipment		**688**	1,138
Equity instruments at fair value through other comprehensive income		**–**	1,676
Right-of-use assets		**1,273**	–
		1,961	2,814
Current assets			
Consideration receivable		**–**	5,321
Trade and other receivables	*11*	**163,339**	102,865
Amount due from a related party		**–**	7,519
Investments in films, drama and non-drama	*10*	**71,340**	89,588
Films, drama and non-drama productions in progress	*10*	**31,507**	91,500
Financial asset at fair value through profit or loss	*12*	**–**	24,719
Bank balances and cash		**328,836**	135,351
		595,022	456,863

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Current liabilities			
Trade and other payables	13	**75,808**	24,457
Contract liabilities	13	**29,522**	10,849
Income tax payables		**20,372**	3,079
Lease liabilities		**456**	–
Amounts due to related parties		**26,900**	–
Bank borrowings		**13,424**	8,868
		166,482	47,253
Net current assets		**428,540**	409,610
Total assets less current liabilities		**430,501**	412,424
Non-current liability			
Lease liabilities		**808**	–
Net assets		**429,693**	412,424
Capital and reserves			
Share capital		**12,322**	12,322
Reserves		**423,794**	406,705
Equity attributable to owners of the Company		**436,116**	419,027
Non-controlling interests		**(6,423)**	(6,603)
Total equity		**429,693**	412,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Shaw Brothers Holdings Limited (the "Company") was incorporated in the Cayman Islands, under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 25 June 2009 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 February 2010.

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

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

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

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

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

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

2.1 Impacts on adoption of HKFRS 16 "Leases"

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use 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. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17 "Leases".

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

The Group as lessee

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

The Group recognises right-of-use asset and measures it 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.

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

Note:

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

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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.

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

(i) Films, drama and non-drama – investments, productions and distribution of films, drama and non-drama;

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

(iii) Others – trading and other activities.

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

Segment revenues and results

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

Continuing operations:

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

The accounting policies of the operating segments are the same as the Group's accounting policies. 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 segments:

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

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

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

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

Geographical information

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

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

Continuing operations:

	PRC	**Hong Kong**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers			
Year ended 31 December 2019	**288,403**	**13,824**	**302,227**
Year ended 31 December 2018	173,507	44,490	217,997
Non-current assets			
As at 31 December 2019	**138**	**1,823**	**1,961**
As at 31 December 2018	420	718	1,138

Note: Non-current assets excluded equity instruments at fair value through other comprehensive income.

Information about major customers

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

	2019	2018
	RMB'000	*RMB'000*
Customer A[1]	**N/A***	129,600
Customer B[1]	**150,000**	N/A*
Customer C[1]	**57,060**	N/A*

[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

	2019	2018
	RMB'000	*RMB'000*
Net exchange gain	**–**	305
Interest income	**2,186**	2,425
Interest income from investment in bond	**105**	202
Others	**907**	107
	3,198	3,039

5. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interests on:		
Bank borrowings	**1,074**	823
Lease liabilities	**27**	–
	1,101	823

6. INCOME TAX EXPENSES

	2019	2018
	RMB'000	*RMB'000*
Current tax:		
Hong Kong Profits Tax	**11,910**	1,970
PRC Enterprise Income Tax ("EIT")	**5,653**	176
	17,563	2,146

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

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

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

(iv) Under the Law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 December 2019 and 2018.

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

Continuing operations

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

8. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit for the purpose of basic and diluted earnings per share	**17,891**	12,566

Number of shares

	2019	2018
	'000	*'000*
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,419,610**	1,419,610

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2019 and 2018.

From continuing operations

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

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

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

From discontinued operations

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

9. DIVIDENDS

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

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

	2019	2018
	RMB'000	*RMB'000*
Investments in films, drama and non-drama	**71,340**	89,588

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

	2019	2018
	RMB'000	*RMB'000*
Films, drama and non-drama productions in progress	**31,507**	91,500

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

11. TRADE AND OTHER RECEIVABLES

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

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

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

12. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

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

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

13. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

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

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

	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**58,045**	11,884
91 to 180 days	**11,073**	605
Total	**69,118**	12,489

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

Film, Drama and Non-Drama

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

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

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

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

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

Artiste and Event Management

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

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

Financial Review

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

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

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

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

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

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

The income tax expenses for the year increased from RMB2,146,000 to RMB17,563,000 due to the higher profit earned from films, drama and non-drama. Details of income tax expenses are set out in Note 6 to the consolidated financial statements in this announcement.

Trade receivables from third parties, net of loss allowance, increased from RMB60,638,000 to RMB146,769,000 due to the box office income not yet received from the distributors for the movies released during the year. Details of trade and other receivables as at 31 December 2019 are set out in Note 11 to the consolidated financial statements in this announcement.

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

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

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

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

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

Liquidity and Financial Resources

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

Pledge of Assets

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

Capital Structure

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

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

Capital Commitments and Contingent Liabilities

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

Subsequent Event

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

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

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

Final Dividend

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

Foreign Exchange Risk

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

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

Bank Borrowings and Gearing Ratio

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

Human Resources

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

Compliance with the Relevant Laws and Regulations

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

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling of used papers and energy saving. Details of the environmental policies and performance of the Group will be disclosed in the "Environmental, Social and Governance Report" which will be included in 2019 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 (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its code which gives guidance on how corporate governance principles are applied to the Group. The Board reviews its corporate governance practices continuously to cope with the evolving needs of the Group. During the year, the Company was in compliance with the CG Code.

The 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 (the "Company's Website").

Audit Committee

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

The primary duties of the Audit Committee are 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 annual results of the Group for the year. The Group's annual results for the year had been reviewed by the Audit Committee together with Management and auditor before submission to the Board for approval.

The Audit Committee had also reviewed 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 Directors resigned during the year) confirmed that they have complied with the required standards set out in the Model Code regarding Directors' securities transactions for the year.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This announcement is published on the Exchange's Website and the Company's Website. The annual report of the Group for the year ended 31 December 2019 will be despatched to Shareholders at the appropriate time and will be available on the Company's Website and the Exchange's Website in due course.

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

Hong Kong, 24 March 2020

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