

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





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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Ruigang

EXECUTIVE DIRECTOR

Miss Lok Yee Ling Virginia

NON-EXECUTIVE DIRECTOR

Mr. Hui To Thomas

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pang Hong
Mr. Poon Kwok Hing Albert
Miss Szeto Wai Ling Virginia

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Miss Lok Yee Ling Virginia (Committee Chairman)
Mr. Hui To Thomas

AUDIT COMMITTEE

Mr. Poon Kwok Hing Albert (Committee Chairman)
Mr. Pang Hong
Miss Szeto Wai Ling Virginia

REMUNERATION COMMITTEE

Miss Szeto Wai Ling Virginia (Committee Chairman)
Mr. Pang Hong
Mr. Poon Kwok Hing Albert

NOMINATION COMMITTEE

Mr. Pang Hong (Committee Chairman)
Mr. Poon Kwok Hing Albert
Miss Szeto Wai Ling Virginia

COMPANY SECRETARY

Miss Chan Yin Yi Annie

AUTHORISED REPRESENTATIVES

Miss Lok Yee Ling Virginia
Miss Chan Yin Yi Annie

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F., Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

STOCK CODE

00953

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISER TO CAYMAN ISLANDS

Conyers Dill & Pearman, Cayman

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

WEBSITE

www.shawbrotherspictures.com



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Shaw Brothers Holdings Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020.

The Group recorded a downturn in the profit attributable to owners of the Company from RMB17,891,000 in 2019 to RMB2,263,000 for the year, representing a decrease of approximately 87%. The decrease in profit was mainly attributable to the decline in revenue during the year. In general, business environment was severely affected by the global outbreak of the Coronavirus Disease 2019 ("COVID-19") and the subsequent virus control and prevention measures implemented.

BUSINESS REVIEW

Despite the impact of COVID-19, the Group has continued our strategy of producing quality film and TV contents. Such strategy has earned us recognition from audiences in Mainland China. Our co-produced movie "Line Walker 2: Invisible Spy" 《使徒行者之諜影行動》 has won the "Golden Angel Award Films" at the 16th Chinese American Film Festival.

In 2020, we continue to leverage our content development capabilities and artists resources to develop premium TV content through collaboration with industry partners. On television front, our co-produced TV series "Flying Tiger 2" 《飛虎之雷霆極戰》 was broadcasted through myTV SUPER and TVB Jade, the OTT platform and free-to-air channel in Hong Kong under TVB respectively. "Flying Tiger 2" was well received by the Hong Kong market and has received the title of "Best Web Series" in the Chinese American Television Festival of 2020. "Impossible Three" 《非凡三俠》, an action-comedy series co-produced by the Group, was released on Alibaba's Youku (優酷) platforms, myTV SUPER and TVB Jade in the second half of 2020. The six-episode online TV drama has received positive recognition from audiences for its innovation and excitement.

During the National Day Holiday in 2020, "Leap" 《奪冠》, a highly anticipated movie invested by the Group, recorded box office receipts of more than RMB800 million in mainland China. The movie tells the heartwarming story of Chinese women's national volleyball team spreading over more than 40 years.

The outbreak of COVID-19 has affected the Group's operation in the artiste and event management segment. A significant amount of the commercial activities and artists performance in this business unit have been suspended or postponed. The Group's revenues from this segment in 2020 has been adversely affected accordingly.

CHAIRMAN'S STATEMENT

OUTLOOK AND PROSPECT

COVID-19 has caused unprecedented challenges to worldwide economy. Nevertheless, the Group has upheld its social responsibilities, taken active measures to mitigate the negative impact of the pandemic, and continued to devote our expertise to overcome those challenges caused by the pandemic outbreak.

"Flying Tiger 3" 《飛虎之壯志英雄》, the latest addition to the "Flying Tiger" series of action crime starring Michael Miu (苗僑偉), Bosco Wong (黃宗澤) and Ron Ng (吳卓羲), is in the post production stage. Projects under development include 《廉政狙擊》 which is a TV-drama series in the crime and action genre.

Looking ahead, I am confident that our experienced management team will continue to explore business opportunities in the films, drama and non-drama productions and artiste management sectors in both Hong Kong and mainland China. Moreover, we will continue to coordinate among our business segments and work with our external partners to improve our competitive advantage, with increasing shareholders' value as a cornerstone.

APPRECIATION

Last but not the least, I would like to take this opportunity to express my appreciation to our valuable shareholders, business partners and audiences for their trust and continued support. I hereby express my sincere gratitude to all our Directors for their contributions, and the employees of the Group for their relentless commitment and creative ideas, which have contributed to the success of the Group and led to the sustainable development of our business.

Shaw Brothers Holdings Limited

Li Ruigang

Chairman

Hong Kong, 22 March 2021



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue decreased from RMB302,227,000 in 2019 to RMB114,373,000 in 2020, representing a decrease of 62%. The following table sets out the revenue of the Group for the year as well as for 2019.

	2020 RMB'000	2019 RMB'000
Films, drama and non-drama	84,530	262,851
Artiste and event management	28,680	34,717
Others	1,163	4,659
	114,373	302,227

Films, Drama and Non-drama

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 telecasted on TVB platform in the first half of 2020 which attracted strong viewing rating on Jade. The drama was also released on Youku, the leading video streaming platform in the mainland China, and won the "Best Web Series" TV drama at the 16th Chinese American Television Festival 2020.

Due to the outbreak of COVID-19, the movie "Leap" 《奪冠》 which the Group invested and originally scheduled for release in the Chinese New Year in mainland China was postponed to release on the National Day. In 2019, 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 Chinese New Year, another film "Line Walker 2: Invisible Spy" 《使徒行者2：諜影行動》 was released across mainland China and Hong Kong theatres in August 2019. "Line Walker 2: Invisible Spy" was awarded the "Golden Angel Award Films" at the 16th Chinese American Film Festival 2020.

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) was released on Youku and TVB platform in November and December 2020 respectively.

Riding on the success of the "Flying Tiger" drama series, the Group commenced the shooting of 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), Joe Ma (馬德鐘) and Roger Kwok (郭晉安) in July 2020. This TV online drama is scheduled to released on the Youku platform in the fourth quarter of 2021.

Artiste and Event Management

The outbreak of COVID-19 had affected the Group's operation in the artiste and event management segment as commercial activities and artists performance had either been suspended or postponed. The Group's revenues from this segment in 2020 has been adversely affected.

During the year, there are 86 artistes under management of the Group. The turnover recorded a decrease of approximately 17% from RMB34,717,000 for the last year to RMB28,680,000 in the current year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group decreased from RMB302,227,000 in 2019 to RMB114,373,000 in 2020, representing a decrease of 62%. Profit attributable to the owners of the Company was decreased by 87% to RMB2,263,000 in 2020. The decrease was mainly due to the reduced contribution from films and drama, and artiste and event management segment during the year. The outbreak of COVID-19 since early 2020 has dented the sentiment in Hong Kong and mainland China's entertainment industry as a whole. As a result, there had been deferral in the release and development of certain films and drama projects and decline in external commercial engagements in artiste and event management businesses during the year. For the year, earnings per share amounted to RMB0.16 cents (2019: RMB1.26 cents).

Prior to 1 January 2020, Renminbi ("RMB") was regarded as the functional currency of the Company and certain subsidiaries. Following the current development of the Group's investments in films, drama and non-drama and productions in progress and artiste and event management business, the directors of the Company have evaluated the primary economic environment in which the Company operated and determined that the functional currency of the Company and certain of its subsidiaries changed to Hong Kong Dollars ("HK\$"). The effects of the change of the functional currency of the Company and certain of its subsidiaries had been accounted for prospectively from 1 January 2020.

During the year, revenue from films, drama and non-drama amounted to RMB84,530,000 (2019: RMB262,851,000). The decrease was due to recognition of major portion of the income from one major TV drama in last year and lesser share of income from the movies released compared to 2019. Artiste and event management service income decreased from RMB34,717,000 in 2019 to RMB28,680,000 in 2020 due to a decline in external commercial engagements during the year.

Due to lesser business activities carried out in the year, cost of sales was decreased by 62% to RMB72,259,000 (2019: RMB189,064,000)

Other income and gains for the year of RMB12,349,000 (2019: RMB3,198,000) mainly represented (i) bank interest income, (ii) one-off subsidy granted from the Employment Support Scheme and (iii) exchange gain from appreciation of RMB on certain RMB denominated monetary assets.

Selling and distribution expenses in 2020 amounted to RMB6,253,000, representing a decrease of 73% from RMB23,430,000 in 2019, which was mainly attributable to decline in business activities.

Administrative expenses were decreased by 11% to RMB43,998,000 in 2020 as compared to RMB49,640,000 in 2019. The decrease was primarily due to the implementation of cost tightening measures during the year in view of the difficult operating environment under the pandemic situation.

Other operating expenses for the year amounting to RMB4,621,000 (2019: RMB5,352,000) mainly represented provision of impairment loss on trade receivables.

Income tax expense for the year decreased from RMB17,563,000 in 2019 to RMB970,000 which was in line with reduction in overall profitability.

Trade receivables from third parties, net of loss allowance, decreased from RMB146,769,000 as at 31 December 2019 to RMB84,285,000 as at 31 December 2020 due to receipt of box office income from the movie distributors during the year.



MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2020, films, drama and non-drama productions in progress increased to RMB89,977,000 (31 December 2019: RMB31,507,000). Such increase was mainly due to the shooting of a co-production drama during the year.

Investments in films, drama and non-drama increased from RMB71,340,000 as at 31 December 2019 to RMB95,456,000 as at 31 December 2020 due to investments in certain new movie projects.

Trade and other payables decreased from RMB75,808,000 as at 31 December 2019 to RMB44,242,000 as at 31 December 2020 due to distribution of share of box office movie income attributable to the other investors according to their percentages of investment during the year.

Contract liabilities was increased by 169% from RMB29,522,000 as at 31 December 2019 to RMB79,492,000 as at 31 December 2020, which is due to the receipt in advance from a co-production drama.

Amounts due to related parties increased from RMB26,900,000 as at 31 December 2019 to RMB52,656,000 as at 31 December 2020 due to additional payables related to artistes and event service income, net of commission income receivable by the Group.

The Group had repaid all the bank borrowings (31 December 2019: RMB13,424,000) during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources and bank borrowings, whenever necessary. As at 31 December 2020, the Group had total bank balances and cash and short-term bank deposits amounting RMB293,029,000 (31 December 2019: RMB328,836,000). The Group's bank and cash balances were denominated in HK\$, RMB and United States Dollars ("USD").

PLEDGE OF ASSETS

As at 31 December 2020, the Group did not have any pledge of assets (31 December 2019: nil).

CAPITAL STRUCTURE

As at 31 December 2020, the Group's equity attributable to owners of the Company decreased by 5.2% to RMB413,591,000 (31 December 2019: RMB436,116,000). Net assets value per share attributable to owners of the Company as at 31 December 2020 was RMB29.13 cents (31 December 2019: RMB30.72 cents). Current ratio was 3.2 as at 31 December 2020 (31 December 2019: 3.6).

As at 31 December 2020 and 31 December 2019, the number of total issued shares of the Company was 1,419,610,000.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2020 and 31 December 2019, the Group did not have capital commitments and contingent liabilities.

FINAL DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and the People's Republic of China (the "PRC") with most of its transactions settled in HK\$ and RMB. Part of the Group's cash and bank deposits was denominated in HK\$, RMB and USD.

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

BANK BORROWINGS AND GEARING RATIO

The Group had repaid all the bank borrowings during the year. The gearing ratio of the Group, calculated on the basis of interest-bearing debts over total assets, was nil as at 31 December 2020 (31 December 2019: 2.25%).

HUMAN RESOURCES

As at 31 December 2020, the Group had a total of 68 employees (31 December 2019: 62 employees).

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, the Group had complied in material respects with the relevant laws and regulations that had 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 was committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavoured 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 had been adopted in the Group, including the recycling of used papers and energy saving. Details of the environmental policies and performance of the Group are disclosed in the "Environmental, Social and Governance Report" section of this annual report.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognised that employees are our valuable assets. Thus, the Group provided competitive remuneration package to attract and motivate the employees. The Group regularly reviewed the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group also understood that it was important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals, therefore, our management had established effective communication, promptly exchanged ideas and shared business update with them when appropriate. During the year, there was no material and significant dispute between the Group and its business partners or bank enterprises.



CORPORATE GOVERNANCE REPORT

The Board 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 Corporate Governance Report of the Company is included in this annual report which also available on the Company’s website at www.shawbrotherspictures.com.

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

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

The Board currently comprises six Directors, including one executive Director, two non-executive Directors and three independent non-executive Directors.

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

Chairman and Non-executive Director

Mr. Li Ruigang

Executive Director

Miss Lok Yee Ling Virginia

Non-executive Director

Mr. Hui To Thomas

Independent non-executive Directors

Mr. Pang Hong

Mr. Poon Kwok Hing Albert

Miss Szeto Wai Ling Virginia

The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group.

The biographical details of the Directors and member of Senior Management are disclosed in the section headed “Biographical Details of Directors and Senior Management” on pages 37 to 39 of this annual report.

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

There are no relationships (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

During the year, the Board maintained a high level of independence, with more than one-third of the Board comprised of independent non-executive Directors, who had exercised independent judgments. The independent non-executive Directors are expressly identified in all corporate communications whenever the names of the Directors are disclosed.

SEGREGATION OF DUTIES BETWEEN THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Li Ruigang is the Chairman of the Board. The Company does not have chief executive officer. It is considered that this structure will not impair the balance of power and authority between the Board and management of the Group as the roles of the executive Director and Management who are in charge of different functions complement the role of the Chairman and chief executive officer. It is believed that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

On 11 June 2020, Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia who retired as Directors at the annual general meeting of the Company held on 11 June 2020 (the “2020 AGM”), were successfully re-elected at the said meeting.

The Company issues letters of appointment or enters into service contracts with the Directors to document the key terms of appointment in writing for Directors.

In accordance with the Company’s Articles of Association (the “Articles”), all Directors are subject to retirement and re-election.

In accordance with the Articles, at each annual general meeting, at least one-third of the Directors are required to retire from office by rotation. Each Director shall retire from office at least once every three years and shall include those who have been longest in office since their last election or re-election. Accordingly, Miss Lok Yee Ling Virginia and Mr. Pang Hong shall retire as Directors at the forthcoming annual general meeting of the Company to be held in June 2021 and, being eligible, offer themselves for re-election at the said meeting.



CORPORATE GOVERNANCE REPORT

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors; and all Directors confirmed that they have complied with the required standards set out in the Model Code during the year.

BOARD DIVERSITY POLICY

Pursuant to the code provision of the CG Code relating to board diversity, the Board had adopted a board diversity policy since August 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointment will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

The Board Diversity Policy is set out on page 23 of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Each Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills. In order to keep Directors abreast of profession development, the Company organised a training session in December 2020 to brief the Directors on "Update of the ESG Reporting Guidelines and Board Role" under the Listing Rules.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal action against its Directors and officers.

CORPORATE GOVERNANCE REPORT

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. It has responsibilities for the Company's environmental, social and governance strategy and reporting. Daily business operations and administrative functions of the Group are delegated to management.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code by reviewing the Company's corporate governance policies and practices, the compliance of the Model Code, disclosure in this Corporate Governance Report, etc.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements to appoint a sufficient number of independent non-executive directors and most of them have appropriate professional qualifications or accounting or related financial management expertise as set out in Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. Mr. Pang Hong, Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia are the independent non-executive Directors. All independent non-executive Directors meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

BOARD MEETINGS AND PROCEDURES

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

The Board held five meetings during the year. At the meetings or by the resolutions in writing, the Board had approved the 2019 annual results; approved the 2020 interim results; reviewed the quarterly performance; approved the 2020 and 2021 budget and approved the publication of the relevant announcements in connection with the matters as required under the Listing Rules.



CORPORATE GOVERNANCE REPORT

Details of the attendance¹ record of Directors at the meetings of the Board, executive committee of the Company (the “Executive Committee”), audit committee of the Company (the “Audit Committee”), remuneration committee of the Company (the “Remuneration Committee”) and nomination committee of the Company (the “Nomination Committee”), and the 2020 AGM held during the year are summarised as follows:

Directors	Type of meetings					2020 AGM
	Board meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	
Mr. Li Ruigang	5/5	N/A	N/A	N/A	N/A	1/1
Miss Lok Yee Ling Virginia	5/5	5/5	N/A	N/A	N/A	1/1
Mr. Hui To Thomas	5/5	5/5	N/A	N/A	N/A	1/1
Mr. Pang Hong	5/5	N/A	2/2	1/1	1/1	1/1
Mr. Poon Kwok Hing Albert	5/5	N/A	2/2	1/1	1/1	1/1
Miss Szeto Wai Ling Virginia	5/5	N/A	2/2	1/1	1/1	1/1

Notes:

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

BOARD COMMITTEES

The Board has established specific committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee with written terms of reference, which are available for viewing on the website of the Company at www.shawbrotherspictures.com (the “Corporate Website”) and the website of the Stock Exchange for listed issuers information at www.hkexnews.hk (the “Exchange’s Website”) to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

Details of the attendance records of Directors, at all Committee meetings in 2020 are set out in the table under the section headed “Board Meetings and Procedures” on pages 12 to 13 of this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

EXECUTIVE COMMITTEE

The Executive Committee was established on 6 December 2018 with written terms of reference, which is available on the Corporate Website and the Exchange's Website. It has two members comprising Miss Lok Yee Ling Virginia, the executive Director (chairman) and Mr. Hui To Thomas, the non-executive Director.

The primary duties of the Executive Committee are to advise and assist the Board in formulating policies and to monitor the performance of management in carrying out and implementing the policies laid down by the Board for the Group.

The Executive Committee held five meetings during the year. At the meetings, the Executive Committee reviewed and discussed the quarterly, interim and annual financial and business performance of the Group and considered and approved the banking matters of the Company.

AUDIT COMMITTEE

The Audit Committee was established on 6 January 2010 with written terms of reference, which is available on the Corporate Website and the Exchange's Website. It has three members comprising Mr. Poon Kwok Hing Albert (chairman), Mr. Pang Hong and Miss Szeto Wai Ling Virginia, all are independent non-executive Directors.

The primary duties of the Audit Committee are to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the risk management and internal control systems of the Company.

The Audit Committee held two meetings during the year. At the meetings, the Audit Committee reviewed the 2019 annual results of the Group; reviewed the risk management and internal control systems of the Group; conducted annual review on the continuing connected transactions of the Company and reviewed the 2020 interim results of the Group. 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 the announcement of the annual results and the annual report of the Company for the year, and confirmed that the said announcement and annual report with the applicable standard as required by the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 6 January 2010 with written terms of reference, which is available on the Corporate Website and the Exchange's Website. It has three members, namely, Miss Szeto Wai Ling Virginia (chairman), Mr. Pang Hong and Mr. Poon Kwok Hing Albert, all are independent non-executive Directors.

The primary duties of the Remuneration Committee are to consult the Chairman of the Board about their remuneration proposals for the executive Director(s), make recommendation to the Board on the Company's remuneration policy and structure for all Directors and Senior Management and make recommendation to the Board on the remuneration packages of individual Director and Senior Management. No Director shall participate in any discussion about his or her own remuneration. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions.



CORPORATE GOVERNANCE REPORT

The Remuneration Committee held one meeting during the year. At the meeting, the Remuneration Committee reviewed the remuneration policies of the Directors and the Senior Management and reviewed the Directors' fee and the remuneration packages of the executive Director(s) and Senior Management for the year.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The main aims of the Company's remuneration policy are:

- to ensure that none of the Directors or any of their associates should determine their own remuneration;
- the remuneration should be broadly aligned with companies of which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst taking into account individual performance and should avoid paying more than necessary for such purpose; and
- the remuneration should reflect the performance, complexity of duties and responsibility of the individual.

The remuneration payable to member of Senior Management is within the following band:

	Number of Individual
Nil-RMB1,000,000	1

Further details of the Directors' emoluments are set out in Note 11 of the consolidated financial statements in the annual report.

NOMINATION COMMITTEE

The Nomination Committee was established on 6 January 2010 with written terms of reference, which is available on the Corporate Website and the Exchange's Website and the Company. It has three members, namely, Mr. Pang Hong (chairman), Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia, all are independent non-executive Directors.

The primary duties of the Nomination Committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations to the Board regarding any proposed change, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships with reference to the Board Diversity Policy and the Company's Nomination of Directors Policy, assess the independence of independent non-executive Directors.

The Nomination Committee held one meeting during the year. At the meeting, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors; considered and recommended to the Board the re-election of Directors and other related matters.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Group, in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The statement by the auditor of the Company about his responsibilities for the consolidated financial statements is set out in the independent auditor's report contained in this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

FINANCIAL REPORTING AND INTERNAL CONTROL

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts for each financial period by the management. Subsequent to each reporting period, interim or annual financial highlights and business review are published as soon as possible (or in accordance with the Listing Rules, as the case may be) to disclose all information that are necessary for shareholders to assess the performance, financial conditions and prospects of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with Principle C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management of the Company (the "Management") is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted for the year, no significant risk was identified.



CORPORATE GOVERNANCE REPORT

Internal Control System

The Company has in place an internal control system to enable the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- *Risk Assessment:* A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include but are not limited to:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.

Based on the internal control review conducted for the year, no significant control deficiency was identified.

CORPORATE GOVERNANCE REPORT

Internal Audit

The Group has an Internal Audit (the “IA”) function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group’s daily operations and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

Review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group’s ability to respond to changes in its business and the external environment (ii) the scope and quality of management’s ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by the IA function and the Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

EXTERNAL AUDITOR’S REMUNERATION

The Company engaged SHINEWING (HK) CPA Limited as its external auditor for the year. For the year ended 31 December 2020, the remuneration paid or payable for the audit and non-audit services provided by SHINEWING (HK) CPA Limited and its affiliated firms was as follows:

Type of services provided	Amount of fees (RMB’000)
Audit services	1,225
Non-audit services (Note)	764
Total	1,989

Note: Non-audit services included mainly the service of reviewing the interim results of the Group for the period ended 30 June 2020, and services of reviewing the environmental, social and governance report of the Group.



CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Miss Chan Yin Yi Annie was appointed by the Board as the company secretary of the Company (the “Company Secretary”) since 29 January 2016. She has taken sufficient training hours of relevant professional training during the year ended 31 December 2020 and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. The biographical details of Miss Chan are set out under the section headed “Biographical Details of Directors and Senior Management” on page 39 of this annual report.

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

INVESTOR RELATIONS

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

There are no changes in the Company’s constitutional documents during the year.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company endeavors to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation.

The Company's annual general meeting allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the annual general meeting proposes separate resolutions for each issue to be considered.

The Group will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirement.

Annual general meeting proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of annual general meeting is distributed to all shareholders prior to the annual general meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the annual general meeting exercises his power under the Articles to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Corporate Website and the Exchange's Website in accordance with the Listing Rules.

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

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

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

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

Shaw Brothers Holdings Limited
19/F., Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong
Tel No.: (852) 2335-8931
Fax No.: (852) 2335-7266
Website: www.shawbrotherspictures.com



CORPORATE GOVERNANCE REPORT

ENQUIRES PUT TO THE BOARD

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

Shaw Brothers Holdings Limited
19/F., Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong
Tel No.: (852) 2335-8931
Fax No.: (852) 2335-7266

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held in June 2021. The notice of the said meeting will be issued to shareholders accordingly.

CORONAVIRUS

At the date of this annual report, the coronavirus situation in Hong Kong is still developing and the situation at the time of forthcoming annual general meeting of the Company in June 2021 is difficult to predict.

In the event that the coronavirus situation deteriorates and requires the date and venue of the said meeting to be changed, shareholders will be notified of the revised arrangement and further announcement will be made by the Company on the Corporate Website (www.shawbrotherspictures.com) and the Exchange's Website (www.hkexnews.hk). Shareholders are advised to read the Company's announcement(s) in relation to the latest arrangement of the said meeting (if any) published on the Corporate Website and the Exchange's Website before attending the said meeting.

CORPORATE GOVERNANCE REPORT

SHAW BROTHERS HOLDINGS LIMITED

NOMINATION OF DIRECTORS POLICY

1. OBJECTIVE

- 1.1 The Nomination Committee of the Board of the Committee ("NC") shall nominate suitable candidates to the Board for appointment as directors of the Company ("Director(s)") to fill casual vacancies.
- 1.2 The NC may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed by the Board or re-appointed at a general meeting, or the number of casual vacancies to be filled.

2. SELECTION CRITERIA

- 2.1 The factors listed below would be used as reference by the NC in assessing the suitability of a proposed candidate.
 - Reputation for integrity
 - Accomplishment and experience in the Movie and Entertainment industry
 - Commitment in respect of available time and relevant interest
 - Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

The above factors are for reference only, and not meant to be exhaustive and decisive. The NC has the discretion to nominate any person, as it considers appropriate.

- 2.2 Serving more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected.
- 2.3 Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election/re-election as a Director.
- 2.4 The NC may request candidates to provide additional information and documents, if considered necessary.

3. NOMINATION PROCEDURES

- 3.1 The Secretary of the NC shall present the biographical details of the candidates a meeting of the NC, and invite nominations of candidates from Board members if any, for consideration by the NC prior to its meeting. The NC may also put forward candidates who are not nominated by Board members.
- 3.2 For filling a casual vacancy, the NC shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the NC shall make nominations to the Board for its consideration and recommendation.
- 3.3 Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.
- 3.4 In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.
- 3.5 A shareholder can serve a notice to the Company Secretary within the lodgment period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the NC's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.
- 3.6 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.
- 3.7 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.
- 3.8 As there may be more candidates than the vacancies available, and the "gross-vote" method will be used to determine who shall be elected as a Director, shareholder proposed resolutions shall therefore take the same form as the resolutions proposed for the candidates recommended by the Board.

4. CONFIDENTIALITY

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



SHAW BROTHERS HOLDINGS LIMITED

BOARD DIVERSITY POLICY

1. PURPOSE

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

2. VISION

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

3. POLICY STATEMENT

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

4. MEASURABLE OBJECTIVES

4.1 Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience and business experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, age) will be disclosed in the Corporate Governance Report annually.

5. MONITORING AND REPORTING

5.1 The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

6. REVIEW OF THIS POLICY

6.1 The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

7. DISCLOSURE OF THIS POLICY

7.1 This Policy will be published on the Company's website for public information.

7.2 A summary of this Policy together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives will be disclosed in the annual Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

SHAW BROTHERS HOLDINGS LIMITED

DIVIDEND POLICY

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

REPORT OVERVIEW

The Environmental, Social and Governance (the “ESG”) Report published by the Group outlines how the Group fully implements the concept of sustainable development and fulfils the responsibility as a corporate citizen. The ESG Report covers the period from 1 January 2020 to 31 December 2020 (the “Year”), which details various work of the Group in fulfilling the principle of sustainable development and its performance in social governance during the Year.

REPORTING SCOPE

The ESG Report describes the environmental and social performance of the Group’s film, drama and non-drama production, as well as artiste and event management businesses during the Year and focuses on disclosing the key performance indicators of the main operating office of the Group in Tseung Kwan O and the office of its subsidiary, Tailor Made Production Limited, in Kwun Tong. The ESG Report only covers the subsidiaries of the Group which, in the opinion of the directors of the Group, have a material impact on the performance or assets of the Group. For details of corporate governance, please refer to the Corporate Governance Report on pages 9 to 24 of the annual report of the Company.

REPORTING FRAMEWORK

The Group has prepared the ESG Report in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the listing rules of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and has complied with the “comply or explain” provisions therein.

REPORTING PRINCIPLE

The content of the ESG Report is determined based on the stakeholder engagement and materiality assessment procedures. This includes identifying ESG-related issues, collecting and reviewing opinions and suggestions from management and stakeholders, evaluating the relevance and importance of different issues, and compiling and verifying the reported content. The ESG Report covers key issues that are of concern to different stakeholders.

The ESG Report discloses quantitative environmental and social key performance indicators, so that stakeholders can fully understand the Group’s ESG performance. The standards, methods, reference materials and sources of data related to these key performance indicators are listed wherever appropriate. In addition, in order to facilitate the comparison of ESG reports of different years, the Group has tried its best to adopt consistent reporting formats and calculation methods as far as reasonably practicable. If there is any change in the method, the Group has also presented and explained it in detail in the corresponding section.

INFORMATION AND FEEDBACK

For details of environmental and corporate governance of the Company, please refer to Shaw Brothers Holdings Limited’s official website (www.shawbrotherspictures.com) and its annual report. The Company values your opinions on this report. Please feel free to contact the Company for any opinions or suggestions:

Shaw Brothers Holdings Limited
19/F., Leighton Centre
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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT ON ESG

The Group believes that sound ESG principles and practices will increase investment value and provide long-term returns to stakeholders. In order to ensure the establishment of appropriate and effective ESG risk management measures and internal control systems, the Board has appointed the Audit Committee to supervise ESG-related matters and work of the Group. The Audit Committee is responsible for monitoring and reviewing the compliance of ESG-related issues with laws and regulations. It is also responsible for the annual review of ESG-related information, and the assessment of the progress of the ESG work and the content and quality of the report.

During the Year, the Audit Committee appointed a third-party professional consultant firm to assist in the management of the Group's ESG matters, to conduct data collection and analysis, and to provide recommendations on the Group's ESG performance. The professional consultant firm has also introduced the latest development on ESG reporting requirements in Hong Kong to the members of the Audit Committee in detail at regular meetings with the Audit Committee. The professional consultant firm assisted in collecting and analysing the opinions of stakeholders of the Group on ESG matters, and conducted materiality assessment. The assessment results were reviewed by the Audit Committee to identify important issues of the Group. The Board is responsible for regularly reviewing the communication channels of stakeholders to ensure that the Company maintains effective communication with stakeholders.

In order to effectively lead the ESG process of the Group, the Audit Committee continuously monitors the ESG work and ensures close cooperation between various departments to jointly achieve the goal of operational compliance and social responsibility. The Board also reviews the plan and implementation of related work in accordance with the Group's goals every year, and monitors the coordination and management of ESG issues.

STAKEHOLDER ENGAGEMENT

The Group believes that the participation and continuous support of our stakeholders play a pivotal role in our long-term development, and effectively promote us to better understand the current status of our development at the environmental and social levels. We communicate with stakeholders to formulate the Group's short-term and long-term sustainable development goals, and improve our sustainable development strategy and implement related goals. Therefore, we are committed to communicating with stakeholders in a diversified manner, allowing stakeholders from different areas and levels to express their opinions and make suggestions. We understand and respond to their expectations and requirements as far as possible, so as to enhance our performance in sustainable development strategies.

Stakeholders	Expectations and Requirements	Ways of Communication and Response
Shareholders	<ul style="list-style-type: none">Operational complianceEnhancing corporate valueInformation transparency and efficient communication	<ul style="list-style-type: none">Email, telephone communication and company website
Partners	<ul style="list-style-type: none">Operational integrityMutual benefit and win-win	<ul style="list-style-type: none">Business communicationNegotiation and cooperation



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT ON ESG *(continued)*

STAKEHOLDER ENGAGEMENT *(continued)*

Stakeholders	Expectations and Requirements	Ways of Communication and Response
Customers	<ul style="list-style-type: none"> High quality products and services Performing contracts according to laws Operational integrity 	<ul style="list-style-type: none"> Customer communication meetings Social media platforms
Environment	<ul style="list-style-type: none"> Energy conservation and emission reduction 	<ul style="list-style-type: none"> Investigation, research and inspection
Industry	<ul style="list-style-type: none"> Developing industry standards 	<ul style="list-style-type: none"> Study visits
Employees	<ul style="list-style-type: none"> Occupational health Remuneration and benefits 	<ul style="list-style-type: none"> Employee activities

MATERIALITY ASSESSMENT

In order to formulate ESG management policies clearly and effectively, the Group conducted a materiality assessment during the Year to identify ESG issues that are important to the Company's business and its stakeholders. This materiality assessment is based on the opinions of internal stakeholders, the analysis of opinions from third-party ESG professional organisations, and the materiality maps¹ provided by well-known external organisations. The results of this assessment will also serve as a reference for the Group to strengthen internal management, and will increase the participation of different stakeholders in the future to collect their valuable and constructive opinions on the development of the Group. During the Year, the Group has identified 7 material ESG-related issues, which will be discussed as key points in this report.

Material Issues

Related Sections

Employment compliance	<ul style="list-style-type: none"> Employees' Rights, Remuneration and Benefits, Health and Safety
Remuneration and benefits	<ul style="list-style-type: none"> Remuneration and Benefits
Diversity and equal opportunities	<ul style="list-style-type: none"> Employees' Rights
Occupational health and safety	<ul style="list-style-type: none"> Health and Safety
Service quality	<ul style="list-style-type: none"> Service Quality Management
Intellectual property protection	<ul style="list-style-type: none"> Service Quality Management
Information and privacy security	<ul style="list-style-type: none"> Service Quality Management

¹ The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map and the SASB Materiality Map produced respectively by the Morgan Stanley Capital International (MSCI) and the Sustainability Accounting Standards Board (SASB).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

EMISSION TREATMENT

Emissions from the Group's films, drama and non-drama productions as well as artiste and event management businesses are mainly derived from the operation of its back offices. As the Group did not own any vehicles or stationary sources involving fuel use, there was no emission of air or water pollutants during the Year. The Group's emissions mainly comprise greenhouse gases, which are primarily derived from the daily activities of the Group's operations and offices. Given that the Group operates in leased offices and the building management company is responsible for both water supply and discharge, the carbon emissions arising from freshwater and sewage processing are not included in total greenhouse gas emissions.

EMISSIONS

Indicators	2020	2019
Total greenhouse gas emissions (kg)	15,923	33,153
Scope 1 — Direct emissions (kg) <i>(Note (1))</i>	0	0
Scope 2 — Indirect emissions from energy (kg) <i>(Note (2))</i>	11,923	15,626
Scope 3 — Other indirect emissions (kg) <i>(Note (3))</i>	4,001	17,527
Total greenhouse gas emissions per employee (kg/employee)	419.04	975.09

Notes:

- (1) Scope 1 Direct emissions refer to direct emissions from businesses owned or controlled by the Group. During the Year, the Company had no direct emissions.
- (2) Scope 2 Indirect emissions from energy refer to indirect greenhouse gas emissions generated by the purchase or acquisition of energy by the Group. The Group's indirect greenhouse gas emissions only come from purchased electricity. The data disclosed is calculated based on the emission factor provided by CLP Power Hong Kong Limited.
- (3) Scope 3 Other indirect emissions cover other indirect emissions that occur outside the Group. Due to the COVID-19, the Group did not conduct business trips during the Year, and the data disclosed only come from waste paper dumped in landfills. Therefore, related greenhouse gas emissions were significantly reduced during the Year. The data is calculated in accordance with Appendix 2: Reporting Guidance on Environmental KPIs published by the Hong Kong Stock Exchange.

In addition to greenhouse gas emissions, we also produce a small amount of non-hazardous waste in daily office operation, mainly including office paper and general daily garbage. The Group strictly complies with the laws and regulations related to waste disposal and engages qualified companies to collect and transport all wastes to landfills.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION *(continued)*

EMISSION TREATMENT *(continued)*

WASTES

Indicators	2020	2019
Total non-hazardous waste (kg) <i>(Note (1))</i>	3,620	2,782
Total non-hazardous waste per employee (kg/employee)	95.27	81.82
Total hazardous waste (kg) <i>(Note (2))</i>	0	0
Total hazardous waste per employee (kg/employee)	0	0

Notes:

- (1) Total non-hazardous waste is calculated based on the estimated daily amount of general office waste provided by the United States Environmental Protection Agency and the volume-to-weight conversion factor.
- (2) During the Year, the Group did not generate any hazardous waste.

CONSERVATION AND EMISSION REDUCTION

The Group continued to implement and strengthen measures on energy conservation and reduction of greenhouse gas emissions to make a significant contribution to greening the environment and relieving global warming. The energy consumption of the Group mainly occurs in the use of electricity in our daily office operation, while the consumption of other resources includes the use of water and paper. The Group's business does not involve the use of any packaging materials. As the offices are leased by the Group, water consumption record is not able to be collected. During the Year, the Group did not have any problems related to sourcing water that is fit for purpose.

ENERGY CONSUMPTION

Indicators	2020	2019
Total energy consumption (kWh) <i>(Note (1))</i>	23,378	30,639
Total energy consumption per employee (kWh/employee)	615.21	901.15

Note:

- (1) Based on the actual consumption of electricity by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION *(continued)*

CONSERVATION AND EMISSION REDUCTION *(continued)*

The Group recognises the importance of energy conservation and emission reduction, and therefore actively advocates and pursues the environmental protection policy of resource conservation and reduction in wastes and emissions in all aspects, so as to avoid waste of resources, reduce environmental pollution and increase production efficiency.

Resource Conservation

1. Turn off lights during non-office hours and make full use of daylight lighting to avoid energy waste
2. Keep lighting fixtures and electric lamps clean and maximise their energy efficiency
3. Set lighting switches with isolated control in different lighting zones
4. Clean air conditioner filters regularly to ensure their efficient operation
5. Under hot weather, allow employees to wear light clothing to reduce the use of air conditioners
6. Turn off electronic equipment completely during non-working hours and purchase electronic equipment with energy efficiency labels

Reduction in Wastes and Emissions

1. Use electronic communication technology to transmit information as far as possible to reduce the use of paper
2. Post signs at conspicuous places near printers to remind employees to choose double-sided printing and use recycled paper
3. Purchase printing paper containing recycled materials as far as possible
4. Reuse envelopes, binders, file cards and other stationery
5. Classify garbage to recycle waste paper, metal and plastic. Use recyclable toner/ink cartridges
6. Use video/teleconference to replace non-essential overseas business trips
7. Plant green plants in the office area

CLIMATE CHANGE

Responding to climate change and managing carbon emissions is one of the most pressing environmental issues in the society at present, and it is also a common responsibility of all walks of life. The Group understands the seriousness of global warming. Therefore, although we did not discover any major climate change-related risks during the Year, the Group has formulated corresponding work arrangements and measures in response to severe weather conditions (such as typhoons, heavy rains and other extreme weather events) brought about by climate change in order to respond to unexpected weather conditions. The Group will issue safety warnings in a timely manner to notify employees and staff working outside of the relevant special work arrangements to ensure the safety of employees. In the future, the Group will continue to pay attention to climate change issues and regularly assess and monitor climate-related risks to optimise management.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

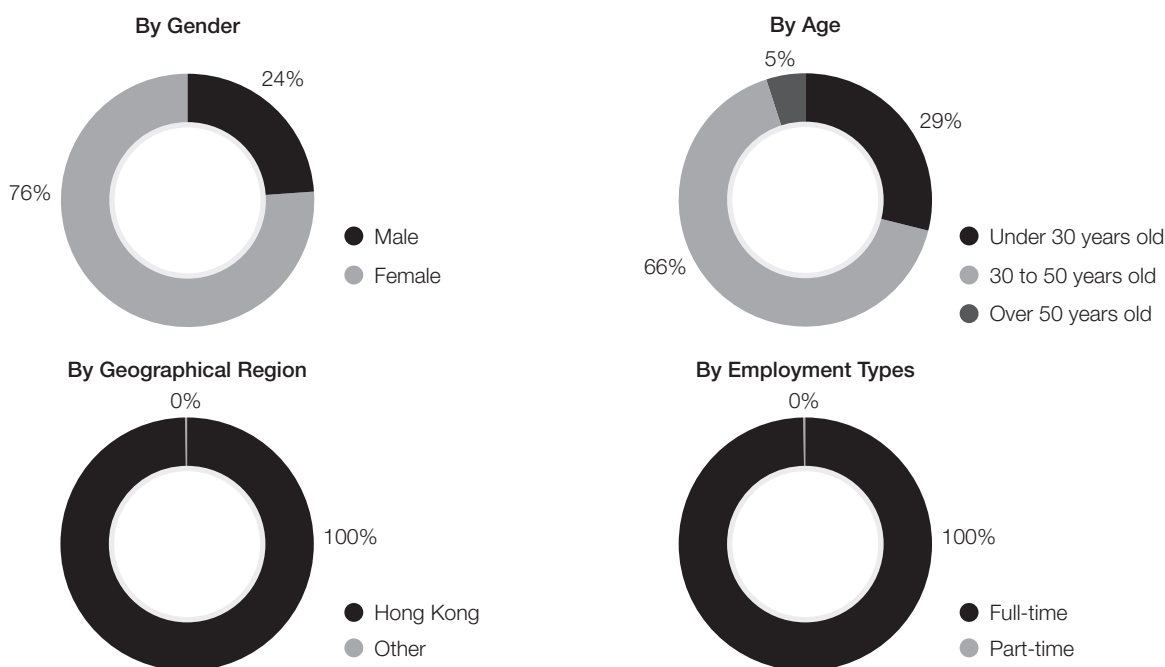
EMPLOYEE FIRST

EMPLOYEES' RIGHTS

As the Group believes that high-quality employees with strong capacities can promote corporate operation and management, and enhance its results and performance, we always regard employees as our most important asset. The Group strictly complies with all labour laws in Hong Kong, including the Employment Ordinance, the Employees' Compensation Ordinance, the Occupational Safety and Health Ordinance and the Minimum Wage Ordinance, which protect the basic rights and interests of employees. In terms of talent recruitment, the Group recruits appropriate talents based on the principle of equality and openness. The Group carries out recruitment based on the actual needs of departments and will not tolerate any form of discrimination on grounds of the gender, sexual orientation, age, disability, race, nationality, religion and social class of the applicants. We offer equal interview opportunities to applicants who meet relevant job requirements on educational background, work experience, language ability and attitude.

The Group strictly prohibits the use of child labour and forced labour. We strictly abide by the relevant laws and regulations prohibiting the employment of children, and carefully check the applicant's certification documents such as ID cards, academic certificates, etc., to confirm whether the applicant's age, identity and appearance are consistent with the supporting documents provided by him/her, so as to prevent all kinds of child labour. If any improper conduct is discovered, the Group will immediately investigate the case thoroughly. In order to ensure that employees have sufficient rest time, we implement a five-day workweek, and we are also determined not to force employees to work overtime to avoid forced labour. If employees need to work overtime, we will provide employees with compensatory leave or allowances in accordance with relevant regulations and laws. The Group also seriously considers every dismissal and resignation. When an employee submits an application for resignation, the representative of the human resources department will interview him/her to understand the reason for his resignation and to identify and manage issues related to the employee turnover rate in order to improve our internal management policy.

During the Year, the distribution of employees by different categories of the Group was as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYEE FIRST *(continued)*

REMUNERATION AND BENEFITS

The Group not only complies with remuneration-related laws and regulations such as the Minimum Wage Ordinance, but also conducts annual reviews of the salary structure based on market conditions and the Group's performance. We provide employees with competitive remuneration packages, so as to enhance employees' satisfaction and work morale on the whole while absorbing more talents.

In terms of benefits, the Group offers statutory leaves, maternity leave, paid leave and annual leave based on the Employment Ordinance. Apart from the basic rights as prescribed by laws, we also provide additional benefits to our employees. We purchase insurance (such as medical insurance) for our employees, and conduct annual reviews of the contents and scope of such insurance to ensure our employees are properly protected. Furthermore, the Group focuses on the relationship between employees and employees' work-life balance. Therefore, we have set up an internal communication platform to improve the effectiveness of communication between employees and management. We also regularly organise employee activities, such as trips, festive dinners and parties to help them relax physically and mentally through different channels and establish harmonious relationships with others.

TRAINING AND DEVELOPMENT

The Group attaches great importance to the continuing progress and development of its employees as the service quality of an enterprise depends on the efficiency and talent of its employees. In order to strengthen employees' understanding of related work areas, we not only provide our employees with on-the-job training and learning opportunities, but also encourage employees to participate in externally-organised seminars and sharing sessions. With respect to professional development, the Group regularly conducts work review and evaluation on its employees to identify talents and offer promotion opportunities. In order to ensure our employees have enough room for development, we will give priority to internal promotion before considering external recruitment.

HEALTH AND SAFETY

Healthy and energetic employees are the basis for maintaining the daily operation and even increase the revenue of an enterprise. Hence the Group recognises the work safety of employees as the most important issue. The Group strictly complies with the Occupational Safety and Health Ordinance to ensure that its employees work in a safe environment. In addition, we provide medical insurance for all employees to further protect them in case of sickness or injury. The Group has established safety protection measures for high-risk jobs and provided employees with necessary protective equipment. In order to prevent any accidents in the offices, we will promptly clean up the spilled liquid and debris, and prohibit anyone from smoking in the workplace. Under the Group's prudent work arrangements, we did not have any work-related fatalities during the Year and in the past three years, and the number of lost days due to work injury was nil during the Year.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICES

SERVICE QUALITY MANAGEMENT

Contrary to general product manufacturing or other service industries, films, drama and non-drama productions as well as artiste and event management, which are the Group's principal activities, do not involve advertising, labelling and sales of products or services. In terms of service quality, the Group must actively seek and provide eligible artistes according to our customers' needs and requirements, to ensure that their activities or work will be performed best with appropriate artistes' involvement. The services provided by the Group do not affect the health and safety of our customers or artistes. Regarding the health and safety of artistes when attending the events of the Group's customers, we require our customers to provide our artistes with relevant insurance and be solely responsible for their health and safety. In case of any complaint about our service, we will carefully identify and analyse the causes and actively take measures for improvement. Under strict management, the Group did not receive any complaints during the Year.

In addition to complying with the relevant laws and regulations such as the Personal Data (Privacy) Ordinance, the Group endeavours to protect customers' information and privacy through various measures. For example, we collect and use customer information in a legal manner, and specify in the contract how the collected information will be used. In addition, all computer files in the office have been encrypted to prevent information leakage. When extracting important information, we also carefully consider the needs of our customers before deciding whether to provide the relevant information. The Group also protects the personal information of employees and job applicants, and undertakes that such personal information will only be used for employee selection, determination of remuneration and benefit package, staff administration and career development, and will never be leaked out. Furthermore, the Group always attaches importance to the protection of copyright and intellectual property rights and promises not to commit plagiarism or other misconduct under the framework of the Copyright Ordinance. The Group also only uses genuine software. If employees need to install any software, they shall apply to the Company to avoid infringement of the intellectual property rights of others.

ANTI-CORRUPTION

The Group is committed to building an honest and healthy enterprise system. It strictly implements relevant laws and regulations, including the Prevention of Bribery Ordinance, and expressly requires employees to work with probity. It also bans the abuse of power for unfair advantages as well as improper business practices. We have formulated code of conduct against conflicts of interests, bribery and unethical behaviour in business. Once employees accept bribes or become aware of bribery, corruption or any other non-compliance with the code of conduct which has occurred or is likely to occur, they should promptly report to the supervisors. The Group will keep the identity of the whistleblower confidential. Relevant employees will be subject to disciplinary action for such non-compliance once confirmed. During the Year, the Group and its employees were not involved in any corruption lawsuit. Due to the COVID-19 outbreak, we did not conduct any relevant training during the Year.

COMMUNITY ENGAGEMENT

While focusing on the development of the principal businesses, the Group also pays attention to charity and always encourages its employees to actively participate in community welfare activities. In addition, we often arrange for artistes to join charity and community projects, aimed at helping charitable organisations and institutions to launch events and spread love in society. During the Year, we arranged for our artistes to participate in the online charity event "Shine Tak Online Sports Month" organised by the Hong Kong Shine Tak Foundation to raise funds for youth development projects. Furthermore, at the peak of the pandemic during the Year, the Group cooperated with the charity fund of A Cup Of Hope Company Limited to assist in the search and purchase of masks and anti-epidemic supplies for those in need and distribute them to Lifewire Foundation Limited, a welfare organisation, and different families to solve the urgent needs of the community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX I: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Indicators	Overview	Sections in This Report	Page/Description
Environmental			
A1 Emissions	General Disclosure	Emission Treatment	28-29
A1.1	The types of emissions and respective emissions data.	Emission Treatment	28-29
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	Emission Treatment	28-29
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Emission Treatment	28-29
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Emission Treatment	28-29
A1.5	Description of measures to mitigate emissions and results achieved.	Conservation and Emission Reduction	29-30
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Conservation and Emission Reduction	29-30
A2 Use of Resources	General Disclosure	Conservation and Emission Reduction	29-30
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Conservation and Emission Reduction	29-30
A2.2	Water consumption in total and intensity.	Conservation and Emission Reduction	29-30
A2.3	Description of energy use efficiency initiatives and results achieved.	Conservation and Emission Reduction	29-30
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Conservation and Emission Reduction	29-30
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	N/A	The Company's business does not involve packaging materials.
A3 The Environment and Natural Resources	General Disclosure	Conservation and Emission Reduction	29-30
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Conservation and Emission Reduction	29-30



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX I: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

(continued)

ESG Indicators	Overview	Sections in This Report	Page/Description
Social			
B1 Employment	General Disclosure	Employees' Rights	31
B1.1	Total workforce by gender, employment type, age group and geographical region.	Employees' Rights	31
B1.2	Employee turnover rate by gender, age group and geographical region.	N/A	N/A
B2 Health and Safety	General Disclosure	Health and Safety	32
B2.1	Number and rate of work-related fatalities.	Health and Safety	32
B2.2	Lost days due to work injury.	Health and Safety	32
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety	32
B3 Development and Training	General Disclosure	Training and Development	32
B3.1	The percentage of employees trained by gender and employee category.	N/A	N/A
B3.2	The average training hours completed per employee by gender and employee category.	N/A	N/A
B4 Labour Standards	General Disclosure	Employees' Rights	31
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employees' Rights	31
B4.2	Description of steps taken to eliminate such practices when discovered.	Employees' Rights	31
B5 Supply Chain Management	General Disclosure	N/A	Identified as immaterial in the materiality assessment.
B5.1	Number of suppliers by geographical region.	N/A	Identified as immaterial in the materiality assessment.
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	N/A	Identified as immaterial in the materiality assessment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX I: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

(continued)

ESG Indicators	Overview	Sections in This Report	Page/Description
B6 Product Responsibility	General Disclosure	Service Quality Management	33
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	N/A
B6.2	Number of products and service related complaints received and how they are dealt with.	Service Quality Management	33
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Service Quality Management	33
B6.4	Description of quality assurance process and recall procedures.	N/A	N/A
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Service Quality Management	33
B7 Anti-corruption	General Disclosure	Anti-corruption	33
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	33
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption	33
B8 Community Investment	General Disclosure	Community Engagement	33
B8.1	Focus areas of contribution.	N/A	Identified as immaterial in the materiality assessment.
B8.2	Resources contributed to the focus area.	N/A	Identified as immaterial in the materiality assessment.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Li Ruigang

Chairman and Non-Executive Director

Mr. Li Ruigang, aged 51, was appointed as the Chairman and Non-executive Director of the Company on 25 October 2016. He is the founding chairman and CEO of CMC Inc. (together with its affiliates, called “CMC”), and founding partner of CMC Capital Partners. Mr. Li has rich operational experience, investment track record and in-depth insight into China’s media and entertainment industry. Mr. Li has led CMC to create many industry champions and emerging leaders across the sub-sectors of media, entertainment, lifestyle, technology, and consumer. Mr. Li was the chairman and president of Shanghai Media Group. Mr. Li is a board member of Special Olympics. Mr. Li is non-executive director of Television Broadcasts Limited (“TVB”), which is listed on the main board of the Stock Exchange. TVB has interest in the shares of the Company. CMC Inc. which is controlled by Mr. Li, is a substantial shareholder of the Company. He holds the share interest of the Company through his interest in CMC Inc. and certain affiliated companies controlled by him. Mr. Li holds a Master’s Degree of Arts and a Bachelor’s Degree of Arts of Journalism from Fudan University.

Miss Lok Yee Ling Virginia

Executive Director

Miss Lok Yee Ling Virginia, aged 64, was appointed as an Executive Director of the Company on 29 January 2016. She is also the chairman of the Executive Committee. She is the Authorised Representative of the Company. In addition, Miss Lok holds directorships in a number of subsidiaries of the Company. She is currently an Assistant General Manager (Talent Management and Development) of TVB, which has interest in the shares of the Company). She first joined TVB in November 2003 as Assistant Controller (Talent), and was promoted to Deputy Controller (Production Resources) in May 2004 and Controller (Production Resources) in January 2008, and to her current position in July 2016. Miss Lok has had over 40 years of experience in TV drama production, artist management, production and distribution of motion pictures and the media industry in Hong Kong. From 1978 to 1982, Miss Lok started to work as assistant director (Drama) in Commercial Television and Rediffusion Television Limited (“RTV”) and was promoted to director (Drama) in RTV. During this period, she also worked as line producer and production manager for a number of movies. From 1983 to 1993, Miss Lok took up the positions of line producer and executive producer in sizable movie production companies, including Shaw Brothers (Hong Kong) Limited. From 2009 to 2015, while serving as an executive of TVB, she also worked as executive producer and producer on a number of major movie productions. With years of experience in motion pictures, Miss Lok has produced more than 40 titles, including a number of major box office hits, such as Let’s Make Laugh (表錯七日情), Love in a Fallen City (傾城之戀), To Be Number One (跛豪), Prince Charming (青蛙王子), Turning Point (Laughing Gor之變節) and 72 Tenants of Prosperity (72家租客). Recent productions include Line Walker (使徒行者), Line Walker 2 (使徒行者2：諜影行動) and Triumph in the Skies (衝上雲霄) and drama series of Flying Tiger (飛虎之潛行極戰), Flying Tiger 2 (飛虎之雷霆極戰) and Guardian Angel (守護神之保險調查) and TV online drama Impossible Three (非凡三俠). Miss Lok is a director of Shine Investment Limited, the substantial shareholder of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hui To Thomas

Non-executive Director

Mr. Hui To Thomas, aged 48, was appointed as a Non-executive Director of the Company on 25 October 2016. He is also a member of the Executive Committee. Mr. Hui is the chief operating officer and an executive director of CMC Inc., a substantial shareholder of the Company. Mr. Hui is the chairman and a non-executive director of TVB, which is listed on the main board of the Stock Exchange. TVB has interest in the shares of the Company. Mr. Hui was formerly the managing director of Gravity Corporation, a media holding company. Prior to that, Mr. Hui was an independent non-executive director of KingSoft Corporation Limited, which is listed on the main board of the Stock Exchange. Before that, Mr. Hui was the president, chief operation officer and an executive director of GigaMedia Limited, a company listed on the NASDAQ stock market. Prior to that, Mr. Hui also was a non-executive director of JC Entertainment Corporation, a Korean online game company listed on the KOSDAQ stock market. He was an executive director in the investment banking division of Goldman Sachs (Asia) L.L.C., Hong Kong, and an investment banker at Merrill Lynch & Co. as well as serving as a management consultant at McKinsey & Company. Mr. Hui holds a Master's Degree of Engineering in Electrical Engineering from Cornell University and a Bachelor's Degree of Science in Electrical Engineering from the University of Wisconsin, Madison.

Mr. Pang Hong

Independent Non-executive Director

Mr. Pang Hong, aged 67, was appointed as an Independent Non-executive Director of the Company on 23 June 2015. He is also the chairman of the Nomination Committee, a member of the Audit Committee, and a member of the Remuneration Committee. He had worked for various enterprises and government departments in China for over 20 years. He has substantial knowledge of the investment environment in China and has extensive experience in the management of Chinese companies. Mr. Pang was a former independent non-executive director of OCI International Holdings Limited and Sino Haijing Holdings Limited (now known as Ming Lam Holdings Limited), both companies are listed on the main board of the Stock Exchange.

Mr. Poon Kwok Hing Albert

Independent Non-executive Director

Mr. Poon Kwok Hing Albert, aged 59, was appointed as an Independent Non-executive Director of the Company on 23 June 2015. He is also the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee. He is currently an independent non-executive director of Greater Bay Area Dynamic Growth Holding Limited (formerly known as Rosedale Hotel Holdings Limited), which is listed on the main board of the Stock Exchange. Mr. Poon is an independent non-executive director of Media Asia Group Holdings Limited, which is listed on the GEM of the Stock Exchange. Mr. Poon graduated from the University of Bath, United Kingdom with a Master of Science degree in Business Administration. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

MISS SZETO WAI LING VIRGINIA

Independent Non-executive Director

Miss Szeto Wai Ling Virginia, aged 58, was appointed as an Independent Non-executive Director of the Company on 29 January 2016. She is also the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee. She is a solicitor in Hong Kong and a solicitor of the Supreme Court of England and Wales. Miss Szeto was an independent non-executive director of Shunten International (Holdings) Limited, a former chairman and non-executive director of Larry Jewelry International Company Limited, a former executive director of Sino Haijing Holdings Limited (now known as Ming Lam Holdings Limited). All three companies are listed on the main board or the GEM of the Stock Exchange. Miss Szeto was the Head of Legal Department of New World Development Company Limited. She holds a Bachelor of Laws Degree from Oxford Brookes University and a Master of Science Degree in Criminal Justice Policy from The London School of Economics and Political Science.

SENIOR MANAGEMENT

MISS CHAN YIN YI ANNIE

Company Secretary

Miss Chan Yin Yi Annie, aged 52, was appointed as the Company Secretary and Authorised Representative of the Company on 29 January 2016. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.

DIRECTORS' REPORT

The Directors are pleased to present to the shareholders of the Company (the "Shareholders") this annual report and the audited consolidated financial statements for the year ended 31 December 2020.

THE COMPANY

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 25 June 2009. The shares of the Company have been listed on the main board of the Stock Exchange since 1 February 2010 (the "Listing Date").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Details of the principal activities and other particulars of the Company's subsidiaries are set out in Note 32 to the consolidated financial statements in this annual report. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, and the compliance with relevant laws and regulations, as well as the Group's environmental policies, relationship with stakeholders and performance which have a significant impact on the Company, can be found in the Management Discussion and Analysis as set out on pages 5 to 8 and the Chairman's Statement as set out on pages 3 to 4 of this annual report. Such discussions form part of this Directors' Report.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or Loss on page 58 of this annual report.

DIVIDEND POLICY

The Company adopted the Dividend Policy in December 2018 with further update in March 2019. The Dividend Policy is set out on page 24 of this annual report.

DIVIDENDS

The Directors did not declare any interim dividend or recommend final dividend for the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 26 May 2021 to Wednesday, 2 June 2021 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify Shareholders' entitlement for attending and voting at the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 25 May 2021.



PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements in this annual report.

BANK BORROWINGS

Details of bank borrowings of the Group as at 31 December 2020 are set out in Note 24 to the consolidated financial statements in this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the consolidated financial statements is set out on page 122 in this annual report. This summary does not form part of the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the Company's paid up capital for the year are set out in Note 25 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

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

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

TRANSFER TO RESERVES

Profit attributable to equity shareholders, before dividends, of RMB2,263,000 (2019: RMB17,891,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity in this annual report.

RELATED PARTIES TRANSACTIONS

Details of the related party transactions entered into by the Group in the normal course of business during the year ended 31 December 2020 are disclosed in Note 30 to the consolidated financial statements in this annual report. Details of certain related party transactions fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules, are set out in the section headed "Continuing Connected Transactions" in this annual report.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 72% of the total sales, with the largest customer accounting for 29% of the aggregate amount of turnover.

Purchases from the Group's five largest suppliers accounted for approximately 54% of the total purchases and purchase from the Group's largest supplier included therein amounted to 34% of the total purchases.

Except for the information as disclosed in Note 30 to the consolidated financial statements in this annual report, none of the Directors, their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

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

Chairman and Non-executive Director

Mr. Li Ruigang

Executive Director

Miss Lok Yee Ling Virginia

Non-executive Director

Mr. Hui To Thomas

Independent Non-executive Directors

Mr. Pang Hong

Mr. Poon Kwok Hing Albert

Miss Szeto Wai Ling Virginia

Pursuant to the Articles, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation.

Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia retired as Directors at the 2020 AGM, were successfully re-elected at the said meeting.

Miss Lok Yee Ling Virginia and Mr. Pang Hong shall retire as Directors at the forthcoming annual general meeting of the Company to be held in June 2021, and being eligible, offer themselves for re-election at the said meeting.



DIRECTORS' REPORT

Information in relation to the appointment and re-election of the Directors of the Company is set out in the section headed "Appointment, Re-election and Removal of Directors" in the Corporate Governance Report on page 10 of this annual report. Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract or a letter of appointment with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BOARD COMMITTEES

The responsibilities of the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee and their work done during the year are set out in the Corporate Governance Report on pages 9 to 24 of this annual report.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and member of Senior Management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 37 to 39 of this annual report.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments are set out in Note 11 to the consolidated financial statements in this annual report. The Directors' remuneration is determined with reference to his/her duties and responsibilities within the Company.

PERMITTED INDEMNITY

Pursuant to the Articles, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the financial year ended 31 December 2020.

DIRECTORS' REPORT

INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

The following transactions constituted continuing connected transactions of the Company that are subject to the requirements under Chapter 14A of the Listing Rules:

CONTINUING CONNECTED TRANSACTIONS

Artiste Management Agreements of Tailor Made

The Company announced on 29 March 2017 (the "First CCT Announcement"), Tailor Made Production Limited ("Tailor Made", an indirect non-wholly owned subsidiary of the Company.) entered into Artiste Management Agreements with each of Good Servant Production Limited ("Good Servant") and Esther Communications Limited ("Esther Communications") for the engagement of Tailor Made as the sole and exclusive agent of Mr. Wong Cho Lam and his spouse, Ms. Li Yanna Leanne, respectively in the entertainment industry throughout the world with effective since 1 September 2016. By the Performance Guarantees dated 1 September 2016, Mr. Wong and Ms. Li guarantee separately the performance by Good Servant and Esther Communications of all their duties and obligations under the Artiste Management Agreements (collectively the "Artiste Management Agreements and Performance Guarantees"). The three-year annual caps relating to the Artiste Management Agreements and the Performance Guarantees as disclosed in the First CCT Announcement expired on 31 December 2019.

The Company announced on 31 December 2019 (the "Second CCT Announcement"), the Directors approved the annual caps relating to the Artiste Management Agreements and the Performance Guarantees for further three financial years ending 31 December 2020, 2021 and 2022.

As disclosed in the announcements mentioned above, Mr. Wong is a director of Tailor Made and indirectly holds approximately 26.5% of the issued shares of Tailor Made as of 31 December 2020. Good Servant is entirely owned by Mr. Wong and thus his associate. Hence, Mr. Wong and Good Servant are connected persons of the Company at the subsidiary level under the Listing Rules. Ms. Li is the spouse of Mr. Wong and Esther Communications is entirely owned by Ms. Li. Both Ms. Li and Esther Communications are associates of Mr. Wong and thus also regarded as connected persons of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the Artiste Management Agreements and Performance Guarantees constituted continuing connected transactions of the Company under the Listing Rules, which have been approved by the Board.

The applicable percentage ratio as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions contemplated under the Artiste Management Agreement and Performance Guarantee for each of 2020, 2021 and 2022 with Good Servant exceed 5%, and those with Esther Communications are more than 0.1% but less than 5%. The Artiste Management Agreements and the Performance Guarantees and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements.

The amounts received by Tailor Made in relation to the Artiste Management Agreements with Good Servant and Esther Communications were approximately RMB13,095,000 and RMB1,220,000 respectively during 2020.



DIRECTORS' REPORT

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

- i. in the ordinary and usual course of business of the Company and its subsidiaries;
- ii. either on normal commercial terms or on terms no less favourable to the Company and its subsidiaries than terms available to or from independent third parties; and
- iii. according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 44 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' REPORT

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2020, interest of the Directors (other than independent non-executive Directors) in the company/ companies which is/are considered to compete or likely to compete, either directly or indirectly with the principal business of the Group is required to be disclosed pursuant to Rule 8.10 of the Listing Rules are set out below.

Mr. Li Ruigang, the Chairman and a Non-executive Director of the Company, is also a director and/or ultimate controlling shareholder and/or substantial shareholder of CMC Inc., Huaren Wenhua Limited Liability Company ("Huaren Wenhua"), Flagship Entertainment Group Limited ("Flagship") and TVB.

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

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

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

The Board (including all independent non-executive Directors) considered that, having taken into account the followings, the interest of the Company and its shareholders are adequately safeguarded:

- a) the Group is capable of, and does carry on its business independently of, and on an arm's length basis, with the competing business of these companies;
- b) a member of the management committee or the artiste management team has a conflict of interest in a transaction being reviewed due to his or her relationship with the counterparty, that transaction shall be reviewed by other members who have no such conflict, thus will ensure business opportunities and performance are independently assessed and reviewed from time to time; and
- c) the relevant Directors are fully aware of their fiduciary duties to the Group and will abstain from voting on any matter where there is or may be conflict of interest.



DIRECTORS' REPORT

In addition, since all the major and important corporate actions of the Company are and will be fully considered and determined by the Board, and any Director who is or is deemed to be interested in any proposed transaction will have to fully disclose his/her interest and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the Articles and the Listing Rules from time to time, the Board is of the view that the relevant Directors interest in potentially competing business will not prejudice the interest of the Group.

Save as disclosed above, as at the date of this annual report, so far as the Directors were aware, none of the Directors, or their respective close associates (as defined in the Listing Rules) had any interest in other business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

RETIREMENT BENEFITS SCHEMES

The Group participates in several defined contribution retirement plans that cover the Group's eligible employees in the PRC and a Mandatory Provident Fund Scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in Note 29 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2020 amounted to RMB324 million.



DIRECTORS' REPORT

DIRECTOR AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

LONG POSITION IN THE SHARES OF THE COMPANY

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

Notes:

Duplication of shareholdings occurred between parties[#] shown in the table here and below under the sub-heading of "Other Persons' Interests in Shares and Underlying Shares of the Company".

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

1. The percentage was calculated based on the total number of Shares in issue as at 31 December 2020, which was 1,419,610,000.
2. Mr. Li Ruigang was interested in such 425,000,000 Shares through certain corporations controlled directly or indirectly by him. Shine Investment Limited ("Shine Investment"), Shine Holdings Cayman Limited ("Shine Holdings"), CMC Shine Acquisition Limited ("CMC Shine Acquisition"), CMC Shine Holdings Limited ("CMC Shine Holdings"), CMC Inc., GLRG Holdings Limited ("GLRG Holdings"), Gold Pioneer Worldwide Limited ("Gold Pioneer") and Brilliant Spark Holdings Limited ("Brilliant Spark") were the substantial shareholders of the Company. Shine Investment was interested in such 425,000,000 Shares. Shine Investment was 85% owned by Shine Holdings which was wholly-owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Inc. CMC Inc. was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings. Gold Pioneer was wholly-owned by Brilliant Spark. Each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Inc., GLRG Holdings, Gold Pioneer and Brilliant Spark was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Brilliant Spark was wholly-owned and controlled by Mr. Li Ruigang.

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



DIRECTORS' REPORT

OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2020, the interests or short positions of the persons (other than the Directors or chief executive of the Company), in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO, are set out below:

LONG POSITION IN THE SHARES OF THE COMPANY

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

Notes:

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

1. The percentage was calculated based on the total number of Shares in issue as at 31 December 2020, which was 1,419,610,000.

DIRECTORS' REPORT

2. Shine Investment, Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Inc., GLRG Holdings, Gold Pioneer and Brilliant Spark were the substantial shareholders of the Company. Shine Investment was interested in such 425,000,000 Shares. Shine Investment was 85% owned by Shine Holdings which was wholly-owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Inc. CMC Inc. was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC Inc. directly and also held through its wholly-owned subsidiary, GLRG Holdings. Gold Pioneer was wholly-owned by Brilliant Spark. Each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Inc., GLRG Holdings, Gold Pioneer and Brilliant Spark was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Brilliant Spark was wholly-owned and controlled by Mr. Li Ruigang. Mr. Li Ruigang was interested in such 425,000,000 Shares through the above corporations controlled directly or indirectly by him (also see Note 4 below).
3. TVB was deemed to be interested in such 425,000,000 Shares through its interest in Shine Investment (also see Note 4 below).
4. Shine Investment, Shine Holdings and TVB were parties of the agreement (the "Agreement") to hold the interest in such 425,000,000 Shares. The Agreement was the one to which section 317 of the SFO applied.

Save as disclosed above, as at 31 December 2020, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the section headed "Directors' and Chief Executive Interests in Shares, Underlying Shares and Debentures of the Company and Associated Corporation" above, at no time during the year was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

As to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (hereinafter in this paragraph, the "Scheme") on 6 January 2010 (the "Adoption Date") whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares to, inter alia, any employees (fulltime or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on the listing date of 1 February 2010 (the "Listing Date") and shall be valid and effective for a period of ten years commencing on 6 January 2010.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1. The Subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.



DIRECTORS' REPORT

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue on the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

As disclosed in the previous interim and/or annual reports of the Company, the outstanding options granted to the grantees since the Adoption Date have been cancelled/lapsed in 2015. Therefore, no option has been granted, exercised, cancelled nor lapsed during the year. The Scheme expired in January 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed approximately 68 full-time staff members. The basic remunerations of the employees are determined with reference to the industry's remuneration benchmark, the employees' experience and their performance, and equal opportunities will be offered to all staff. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits required by laws, the Group also provides discretionary bonuses based upon the Group's results and the individual performance of the staff. The Group maintains a good relationship with its employees.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

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

The reports on environmental and social performance, and compliance of corporate governance for the year ended 31 December 2020 have been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules are set out on pages 25 to 36 and pages 9 to 24 of this annual report.

DIRECTORS' REPORT

CONFIRMATION OF INDEPENDENCE

The Company has received confirmations of independence for the year from the independent non-executive Directors and considered that all the independent non-executive Directors met the independence guidelines set out in Rule 3.13 of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient public float since the Listing Date as required under the Listing Rules.

AUDITOR

SHINEWING (HK) CPA Limited shall retire and being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting. There has been no change in the auditors of Company in any of the preceding three years.

By Order of the Board

Li Ruigang

Chairman

Hong Kong, 22 March 2021



INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SHAW BROTHERS HOLDINGS LIMITED**
邵氏兄弟控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shaw Brothers Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 58 to 121, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT OF INVESTMENTS IN FILMS, DRAMA AND NON-DRAMA AND PRODUCTIONS IN PROGRESS

Refer to Note 17 to the consolidated financial statements and the accounting policies in Note 3.

The key audit matter

The impairment of the investments in films, drama and non-drama and productions in progress are dependent on profitability of the films, drama and non-drama. There is a risk of potential loss from the investments in films, drama and non-drama and productions in progress.

We have identified impairment of investments in films, drama and non-drama and productions in progress as a key audit matter because of the significance to the consolidated financial statements and the judgement and estimations involved in the impairment assessment.

How the matter was addressed in our audit

Our audit procedures were designed to evaluate the management's assessment on impairment and reasonableness of methods used and the assumption applied.

We have assessed the assumptions and critical judgement used by the management by assessing the reliability of the management's past estimates.

We assessed the methodology used by management and the appropriateness of key assumptions in determining the impairment of investments in films, drama and non-drama and productions in progress by obtaining evidence to support management's judgement and assumptions for estimating future cash flows.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operation, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



INDEPENDENT AUDITOR'S REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Chuen Fai.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

22 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	114,373	302,227
Cost of sales		(72,259)	(189,064)
Gross profit		42,114	113,163
Other income and gains	7	12,349	3,198
Selling and distribution expenses		(6,253)	(23,430)
Administrative expenses		(43,998)	(49,640)
Other operating expenses		(4,621)	(5,352)
Finance costs	8	(511)	(1,101)
(Loss) profit before tax		(920)	36,838
Income tax expenses	9	(970)	(17,563)
(Loss) profit for the year	10	(1,890)	19,275
(Loss) profit for the year attributable to:			
– Owners of the Company		2,263	17,891
– Non-controlling interests		(4,153)	1,384
(Loss) profit for the year		(1,890)	19,275
Earnings per share			
– Basic and diluted (RMB cents)	13	0.16	1.26



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
(Loss) profit for the year	(1,890)	19,275
Other comprehensive (expenses) income for the year		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of financial statements from functional currency to presentation currency	(22,449)	–
Fair value loss on investments in equity instruments designated at fair value through other comprehensive income	–	(2,006)
Total comprehensive (expenses) income for the year	(24,339)	17,269
Total comprehensive (expenses) income for the year attributable to		
– Owners of the Company	(21,647)	17,089
– Non-controlling interests	(2,692)	180
	(24,339)	17,269

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Plant and equipment	15	1,044	688
Equity instruments at fair value through other comprehensive income	20	–	–
Right-of-use assets	16	748	1,273
Television programme rights	18	4,107	–
		5,899	1,961
Current assets			
Investments in films, drama and non-drama	17	95,456	71,340
Films, drama and non-drama productions in progress	17	89,977	31,507
Trade and other receivables	19	101,411	163,339
Amounts due from related parties	23	1,161	–
Bank balances and cash	21	293,029	328,836
		581,034	595,022
Current liabilities			
Trade and other payables	22	44,242	75,808
Contract liabilities	22	79,492	29,522
Income tax payables		4,429	20,372
Lease liabilities	16	449	456
Amounts due to related parties	23	52,656	26,900
Bank borrowings	24	–	13,424
		181,268	166,482
Net current assets		399,766	428,540
Total assets less current liabilities		405,665	430,501
Non-current liability			
Lease liabilities	16	311	808
Net assets		405,354	429,693



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Capital and reserves			
Share capital	25	12,322	12,322
Reserves		401,269	423,794
<hr/>			
Equity attributable to owners of the Company		413,591	436,116
Non-controlling interests		(8,237)	(6,423)
<hr/>			
Total equity		405,354	429,693

The consolidated financial statements on pages 58 to 121 were approved and authorised for issue by the board of directors on 22 March 2021 and are signed on its behalf by:

Mr. Hui To Thomas
Director

Miss Lok Yee Ling, Virginia
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to the owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Financial assets at fair value through other comprehensive income reserve RMB'000	Translation reserves RMB'000	Other reserves RMB'000 (Note a)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	12,322	750,821	94	-	142,000	(486,210)	419,027	(6,603)	412,424
Profit for the year	-	-	-	-	-	17,891	17,891	1,384	19,275
Other comprehensive expense for the year:									
Fair value loss on investments in equity instruments designated at fair value through other comprehensive income	-	-	(802)	-	-	-	(802)	(1,204)	(2,006)
Total comprehensive (expense) income for the year	-	-	(802)	-	-	17,891	17,089	180	17,269
At 31 December 2019	12,322	750,821	(708)	-	142,000	(468,319)	436,116	(6,423)	429,693
At 1 January 2020	12,322	750,821	(708)	-	142,000	(468,319)	436,116	(6,423)	429,693
Profit (loss) for the year	-	-	-	-	-	2,263	2,263	(4,153)	(1,890)
Other comprehensive income (expense) for the year:									
<i>Item that will not be reclassified subsequently to profit or loss:</i>									
Exchange difference arising on translation of financial statements from functional currency to presentation currency	-	-	-	(23,910)	-	-	(23,910)	1,461	(22,449)
Total comprehensive income (expense) for the year	-	-	-	(23,910)	-	2,263	(21,647)	(2,692)	(24,339)
Changes in ownership interests									
- Shareholding forfeiture (Note b)	-	-	(102)	144	(920)	-	(878)	878	-
Derecognition of investments at fair value through other comprehensive income (Note 20)	-	-	132	-	-	(132)	-	-	-
At 31 December 2020	12,322	750,821	(678)	(23,766)	141,080	(466,188)	413,591	(8,237)	405,354

Notes:

(a) Other reserves

The other reserves comprise the reserves arising from changes in ownership of a subsidiary without losing control upon the transfer of interests and the reserves arising from corporate reorganisation.

(b) Forfeiture and cancellation of unpaid shares of a subsidiary

During the year ended 31 December 2020, an indirect non-wholly owned subsidiary, Tailor Made Production Limited ("Tailor Made"), pursuant to its article of association, forfeited and cancelled certain unpaid shares held by a non-controlling interest shareholder. After the forfeiture and cancellation of such shares, the ownership interests of the Group in Tailor Made increased from 40% to 47%. The carrying amounts of the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary following such forfeiture and cancellation of shares. The amount of non-controlling interests are adjusted and recognised directly in equity and relevant reserves.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
(Loss) Profit before tax	(920)	36,838
Adjustments for:		
Finance costs	511	1,101
Interest income	(3,491)	(2,186)
Depreciation of plant and equipment	413	575
Depreciation of right-of-use assets	474	275
Impairment loss on trade and other receivables	4,621	5,352
Interest income from investment in bond	–	(105)
Loss on lease modification	–	2
Gain on changes in fair value of financial asset at fair value through profit or loss	–	(255)
Operating cash inflows before movements in working capital	1,608	41,597
(Increase) decrease in films, drama and non-drama investments	(27,613)	18,248
(Increase) decrease in films, drama and non-drama productions in progress	(63,621)	59,993
Decrease (increase) in trade and other receivables	52,641	(65,826)
(Decrease) increase in trade and other payables	(29,052)	51,351
Increase in contract liabilities	54,258	18,673
Increase in amounts due to related parties	26,032	26,005
(Increase) decrease in amounts due from related parties	(1,225)	7,519
Cash generated from operations	13,028	157,560
Income tax paid	(16,621)	(270)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(3,593)	157,290

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES			
Acquisition of TV programme rights		(4,107)	–
Purchases of plant and equipment		(791)	(125)
Interests received		3,491	2,186
Interest received from financial asset at fair value through profit or loss		–	105
Proceeds from sales of financial asset at fair value through profit or loss		–	24,974
Purchase of equity instruments at fair value through other comprehensive income		–	(330)
Net cash inflow from disposal of subsidiaries (Note)		–	5,321
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		(1,407)	32,131
FINANCING ACTIVITIES			
Repayments of principal elements of lease liabilities	28	(452)	(286)
Interests paid	28	(511)	(1,101)
New bank borrowings raised		–	4,556
Repayments to bank borrowings	28	(13,321)	–
Advance from a related party		–	895
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES		(14,284)	4,064
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(19,284)	193,485
CASH AND CASH EQUIVALENTS AT 1 JANUARY		328,836	135,351
Effect of foreign exchange rate changes		(16,523)	–
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		293,029	328,836

Note: The net cash inflow from disposal of subsidiaries in 2019 represented the receipt of the consideration receivable from the disposal of the relevant subsidiaries on 29 June 2018.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in investments in films, drama and non-drama and productions in progress and artiste and event management. The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 32.

Prior to 1 January 2020, Renminbi (“RMB”) was regarded as the functional currency of the Company and its subsidiaries. Following the current development of the Group’s investments in films, drama and non-drama and productions in progress and artiste and event management business, the directors of the Company have evaluated the primary economic environment in which the Company operates and determine that the functional currency of the Company and certain of its subsidiaries changed to Hong Kong Dollars (“HK\$”). The effects of the change of the functional currency of the Company and certain of its subsidiaries had been accounted for prospectively from 1 January 2020 (being the date on which the change in functional currency took effect).

The consolidated financial statements continue to be presented in RMB in order to maintain period-to-period comparability of the financial results. Therefore, the directors consider that RMB is a preferred currency to be used in presenting the operating results and financial position of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“HKFRSs”) and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

HKFRS 17	Insurance Contracts and related Amendments ⁵
Amendments to HKFRS 3	Reference to Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract ⁴
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 cycle ⁴

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through:

- a contractual arrangement with other vote holders;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights; or
- a combination of the above, based on all relevant facts and circumstances.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

PLANT AND EQUIPMENT

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

TELEVISION PROGRAMME RIGHTS

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

INVESTMENTS IN FILMS, DRAMA AND NON-DRAMA

Investments in films, drama and non-drama are the Group's investments project which entitles the Group to share certain percentage of income to be generated from the related films, drama and non-drama based on the proportion of investment amounts as specified in respective investment agreements.

Investments are stated at cost, less any identified impairment losses. The costs of investments are recognised as expenses in cost of sales upon the entitlement of income in accordance with respective agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FILMS, DRAMA AND NON-DRAMA PRODUCTIONS IN PROGRESS

Films, drama and non-drama productions in progress is stated at cost incurred to date, less any identified impairment losses. Costs included all direct costs associated with the production of films, drama and non-drama.

CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

Financial assets

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

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

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and effective interest method

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

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

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the “other income and gains” line item (Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Equity instruments designated as at FVTOCI

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

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

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and gains" line item in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment assessment under HKFRS 9 (including trade and other receivables, amounts due from related parties and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The expected credit losses on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(iv) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(v) Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the financial assets at FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service that is distinct or a series of distinct goods or services that are substantially the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

RETIREMENT BENEFIT COSTS

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) and state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

SHORT-TERM EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

IMPAIRMENT LOSSES ON TANGIBLE ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or the cash-generating unit) for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT LOSSES ON TANGIBLE ASSETS *(continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

LEASING

Definition of a lease

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

The Group as lessee

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date. The Group recognises right-of-use assets and corresponding lease liabilities with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less for the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

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

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

- 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASING *(continued)*

The Group as lessee (continued)

Lease liabilities (continued)

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

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

Right-of-use assets

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

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Lease modification

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liabilities 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of the assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

GOVERNMENT GRANTS

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rationale basis over the useful lives of the related assets.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control in a subsidiary

As set out in Note 32, Tailor Made is a subsidiary of the Group even though the Group has only a 47% (2019: 40%) ownership interests. Tailor Made is a private company incorporated in Hong Kong.

The directors of the Company assessed the Group's control over Tailor Made and its subsidiaries on the basis of its practical ability to direct the relevant activities unilaterally. In making their judgement, the directors of the Company consider the Group has dominated the board of directors of Tailor Made by 60% (2019: 60%) of voting rights and the key management personnel are assigned by the Group. After assessment, the directors of the Company concluded that the Group has ability to direct the relevant activities of Tailor Made and therefore the Group has control over Tailor Made and its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

CRITICAL JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES *(continued)*

Revenue recognition at a point in time

Under HKFRS 15, control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgement is required in determining whether the terms of the Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Group. The Group has considered the relevant local laws that apply to those relevant contracts. Based on the assessment of the Group's management, the terms of the relevant sales contracts obtained do not create an enforceable right to payment for the Group after taking into various conditions. Accordingly, revenue from the films, drama and non-drama productions and artiste and event management service are considered to be performance obligation satisfied at a point in time.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade and other receivables

The impairment provisions for trade and other receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. Trade receivables with significant balance are assessed for ECL individually. In addition, the Group use provision matrix to calculate ECL for trade receivables which are individually insignificant, the provision rate is based on the Group's historical credit loss experience as well as the Group's forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charges to the consolidated statement of profit or loss. The information about the ECL and the Group's trade and other receivables are disclosed in Note 19.

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

The Group assesses at the end of each reporting period whether there is any indication for impairment of investments in films, drama and non-drama and productions in progress and further assesses if they have suffered any impairment. Such assessment is performed on film-by-film basis at the end of each reporting period. The management determined the provision for impairment of investments in films, drama and non-drama and productions in progress based on the estimation of future cash flow. Where the actual future cash flow is less than expected, a material impairment loss may arise. The information about the investments in films, drama and non-drama and productions in progress are disclosed in Note 17.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated useful lives of television programme rights

The directors of the Company estimate the useful lives of television programme rights in order to determine the amount of amortisation expenses to be recognised in accordance with the accounting policy set out in Note 3. The useful lives are estimated at the time the television programme rights are acquired based on the expected revenue, as well as market obsolescence arising from changes in market demands. The directors of the Company also perform annual reviews on whether the assumptions made on useful lives continue to be valid. Such reviews take into account market changes, prospective utilisation, market popularity and public acceptance of the assets concerned. Adjustments may need to be made to the carrying amounts of television programme rights should there be a material difference between the expected revenue and the actual results.

Impairment assessment of television programme rights

The directors of the Company carry out a review on television programme rights at the end of each reporting period and impairment is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determining whether and how much television programme rights are impaired involves management estimates and judgements such as future licensing income and discount rate used in discounting the projected cash flow. As at 31 December 2020, the carrying value of television programme rights was RMB4,107,000. No impairment has been recognised during the year ended 31 December 2020.

5. REVENUE

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

	2020 RMB'000	2019 RMB'000
Films, drama and non-drama productions	49,588	218,833
Investments in films, drama and non-drama	34,942	44,018
Artiste management services income	27,253	31,718
Event management services income	1,427	2,999
Others	1,163	4,659
	114,373	302,227

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

TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATIONS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT INFORMATION

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

SEGMENT REVENUES, RESULTS, ASSETS AND LIABILITIES

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

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

SEGMENT REVENUES AND RESULTS

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

	Films, drama and non-drama		Artiste and event management		Others		Total	
	Year ended 31 December							
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Segment revenue	84,530	262,851	28,680	34,717	1,163	4,659	114,373	302,227
Segment profit (loss)	16,491	65,028	8,085	5,903	(3,544)	(2,167)	21,032	68,764
Unallocated income							12,349	3,198
Unallocated expenses							(34,301)	(35,124)
(Loss) profit before tax							(920)	36,838

The accounting policies of the operating segments are the same as the Group’s accounting policies described in Note 3. Segment (loss) profit represents the (loss) profit incurred by each segment without allocation of interest income, finance costs, certain administrative expenses and other income and gains. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT INFORMATION *(continued)*

SEGMENT ASSETS AND LIABILITIES

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

	2020 RMB'000	2019 RMB'000
SEGMENT ASSETS		
Films, drama and non-drama	275,277	248,329
Artiste and event management	13,300	8,232
Others	168	5,605
Total segment assets	288,745	262,166
Unallocated assets	298,188	334,817
	586,933	596,983
SEGMENT LIABILITIES		
Films, drama and non-drama	170,286	146,664
Artiste and event management	10,451	5,938
Other	82	–
Total segment liabilities	180,819	152,602
Unallocated liabilities	760	14,688
	181,579	167,290

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

- all assets are allocated to operating segments other than plant and equipment, equity instruments at FVTOCI, right-of-use assets, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION

	Films, drama and non-drama RMB'000	Artiste and event management RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2020					
<i>Amounts included in the measure of segments results or segment assets:</i>					
Additions to non-current assets (Note)	4,107	-	-	791	4,898
Depreciation of plant and equipment	-	-	-	413	413
Depreciation of right-of-use assets	-	-	-	474	474
<i>Amounts regularly provided to the CODM but not included in the measure of segment result:</i>					
Interest income	-	-	-	(3,491)	(3,491)
Finance costs	-	-	-	511	511

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION *(continued)*

	Films, drama and non-drama RMB'000	Artiste and event management RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2019					
<i>Amounts included in the measure of segments results or segment assets:</i>					
Additions to non-current assets (Note)	–	–	–	1,554	1,554
Depreciation of plant and equipment	–	–	–	575	575
Depreciation of right-of-use assets	–	–	–	275	275
<i>Amounts regularly provided to the CODM but not included in the measure of segment result:</i>					
Interest income	–	–	–	(2,186)	(2,186)
Interest income from investment in bond	–	–	–	(105)	(105)
Finance costs	–	–	–	1,101	1,101

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

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

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

	The PRC RMB'000	Hong Kong RMB'000	Total RMB'000
<i>Revenue from external customers</i>			
Year ended 31 December 2020	88,920	25,453	114,373
Year ended 31 December 2019	288,403	13,824	302,227

Non-current assets

As at 31 December 2020	718	5,181	5,899
As at 31 December 2019	138	1,823	1,961

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2020 RMB'000	2019 RMB'000
Customer A ¹	33,134	150,000
Customer B ¹	28,152	57,060

¹ Revenue from films, drama and non-drama productions



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. OTHER INCOME AND GAINS

	2020 RMB'000	2019 RMB'000
Net exchange gain	6,432	–
Interest income	3,491	2,186
Interest income from investment in bond	–	105
Government subsidy (Note)	1,549	–
Others	877	907
	12,349	3,198

Note: During the year ended 31 December 2020, the Group recognised government subsidy of approximately RMB1,549,000 in respect of COVID-19, which relates to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region.

8. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interests on:		
Bank borrowings	465	1,074
Lease liabilities	46	27
	511	1,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. INCOME TAX EXPENSES

	2020	2019
	RMB'000	RMB'000
Current tax:		
Hong Kong Profits Tax	2,209	11,910
PRC Enterprise Income Tax ("EIT")	201	5,653
	2,410	17,563
Overprovision in prior years:		
EIT	(1,440)	–
	970	17,563

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.

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%.

Tax exemptions represent reduction of Hong Kong Profits Tax for the year of assessment of 2019/20 by 100%, subject to a ceiling of HK\$20,000 per case, and 2020/21 by 100%, subject to a ceiling of HK\$10,000 per case.

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 2020 and 2019.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. INCOME TAX EXPENSES *(continued)*

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

	2020 RMB'000	2019 RMB'000
(Loss) profit before tax	(920)	36,838
Tax at the domestic tax rate of 16.5% (2019: 25%) (Note)	(152)	9,210
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,167)	(2,356)
Effect on adoption of two-tiered profits regime	(147)	(145)
Tax effect of income not taxable	(545)	(2,069)
Tax effect of non-deductible expenses	3,950	11,588
Overprovision in respect of prior years	(1,440)	–
Tax effect of tax losses not recognised	554	1,518
Tax effect of temporary difference not recognised	76	–
Utilisation of tax losses previously not recognised	(149)	(165)
Effect of tax exemption granted	(10)	(18)
Income tax expenses for the year	970	17,563

Note: The domestic tax rate, which is Hong Kong Profit Tax rate (2019: PRC EIT rate), in the jurisdiction where the operation of the Group is substantially based is used.

At the end of the reporting period, the Group has unused tax losses of approximately RMB11,481,000 (2019: RMB9,199,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has deductible temporary differences of RMB460,000 (2019: Nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. (LOSS) PROFIT FOR THE YEAR

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

	2020	2019
	RMB'000	RMB'000
Directors' emoluments:		
Salaries and allowances	2,325	2,619
Contributions to retirement benefits scheme	16	16
	2,341	2,635
Staff costs:		
Salaries and allowances	17,058	18,011
Contributions to retirement benefits scheme (Note)	935	1,850
	17,993	19,861
Total staff costs (including directors' emoluments)	20,334	22,496
Impairment loss on trade and other receivables	4,621	5,352
Auditors' remuneration	1,225	1,282
Depreciation of plant and equipment	413	575
Depreciation of right-of-use assets	474	275
Exchange (gain) loss, net	(6,432)	3,462

Note:

According to the policies on reduction of social insurance fees announced by the Ministry of Human Resources and Social Security of the PRC during the year ended 31 December 2020, the Company's PRC subsidiaries were entitled to waivers of the social insurance fees during the year ended December 2020.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

	Directors' fees RMB'000	Performance bonus RMB'000 (Note a)	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings				
For the year ended 31 December 2020				
<i>Executive director:</i>				
Miss Lok Yee Ling Virginia	577	788	16	1,381
<i>Chairman and non-executive director:</i>				
Mr. Li Ruigang	320	-	-	320
<i>Non-executive director:</i>				
Mr. Hui To Thomas	160	-	-	160
	480	-	-	480
<i>Independent non-executive directors:</i>				
Mr. Pang Hong	160	-	-	160
Mr. Poon Kwok Hing, Albert	160	-	-	160
Miss Szeto Wai Ling Virginia	160	-	-	160
	480	-	-	480
	1,537	788	16	2,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. DIRECTORS' EMOLUMENTS *(continued)*

	Directors' fees RMB'000	Performance bonus RMB'000 (Note a)	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings				
For the year ended 31 December 2019				
<i>Executive directors:</i>				
Miss Lok Yee Ling Virginia	617	1,054	16	1,687
Mr. Ding Siqiang (Notes b & c)	–	–	–	–
Ms. Ding Xueleng (Notes b & c)	–	–	–	–
	617	1,054	16	1,687
<i>Chairman and non-executive director:</i>				
Mr. Li Ruigang	316	–	–	316
<i>Non-executive director:</i>				
Mr. Hui To Thomas	158	–	–	158
	474	–	–	474
<i>Independent non-executive directors:</i>				
Mr. Pang Hong	158	–	–	158
Mr. Poon Kwok Hing, Albert	158	–	–	158
Miss Szeto Wai Ling Virginia	158	–	–	158
	474	–	–	474
	1,565	1,054	16	2,635

Notes:

- (a) The discretionary bonus is determined by the Company's performance and profitability and the prevailing market conditions.
- (b) The directors agreed to waive their emoluments for the year ended 31 December 2019.
- (c) Mr. Ding Siqiang and Ms. Ding Xueleng resigned from being executive director on 14 June 2019.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. DIRECTORS' EMOLUMENTS *(continued)*

No directors of the Company waived or agreed to waive any emoluments for the years ended 31 December 2020 and 2019, except for two of the directors of the Company waived the aggregate emoluments of RMB158,000 for the year ended 31 December 2019.

No emoluments have been paid to directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2020 and 2019.

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

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2019: one) was the director of the Company whose emolument is set out in Note 11 above. The emoluments of the remaining four (2019: four) highest paid individuals were as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances, and other benefits	3,186	3,792
Contributions to retirement benefits scheme	64	59
	3,250	3,851

Their emoluments were within the following bands:

	2020 Number of individuals	2019 Number of individuals
Nil to HK\$1,000,000 (equivalent to approximately RMB888,000) (2019: RMB878,000)	3	3
HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately RMB888,001 to RMB1,332,000) (2019: RMB878,001 to RMB1,317,000)	1	–
HK\$1,500,001 to HK\$2,000,000 (equivalent to approximately RMB1,332,001 to RMB1,776,000) (2019: RMB1,317,001 to RMB1,756,000)	–	1

No emoluments were paid by the Group to the five highest paid individuals as an incentive payment for joining the Group or as compensation for loss of office for the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. EARNINGS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to the owners of the Company)	2,263	17,891
	2020 '000	2019 '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 years ended 31 December 2020 and 2019.

14. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

15. PLANT AND EQUIPMENT

	Office Equipment RMB'000
COST	
At 1 January 2019	2,504
Additions	125
<hr/>	
At 31 December 2019	2,629
Additions	791
<hr/>	
At 31 December 2020	3,420
<hr/>	
ACCUMULATED DEPRECIATION	
At 1 January 2019	1,366
Provided for the year	575
<hr/>	
At 31 December 2019	1,941
Provided for the year	413
Exchange realignment	22
<hr/>	
At 31 December 2020	2,376
<hr/>	
NET CARRYING AMOUNTS	
At 31 December 2020	1,044
<hr/> <hr/>	
At 31 December 2019	688
<hr/> <hr/>	

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

Office equipment	3 to 5 years
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

(I) RIGHT-OF-USE ASSETS

	2020 RMB'000	2019 RMB'000
Office premises	748	1,273

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

(II) LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Non-current	311	808
Current	449	456
	760	1,264

	2020 RMB'000	2019 RMB'000
Amount payable under lease liabilities		
Within one year	449	456
After one year but within two years	311	478
After two years but within five years	-	330
	760	1,264

During the year ended 31 December 2019, the Group entered into a new lease agreement in respect of renting properties and recognised lease liabilities of RMB1,429,000. The Group has not entered into any new lease during the year ended 31 December 2020.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(III) AMOUNTS RECOGNISED IN PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Depreciation expenses on right-of-use assets – office premises	474	275
Interest expenses on lease liabilities	46	27
Expenses relating to short-term leases	1,735	2,133

(IV) OTHERS

During the year ended 31 December 2020, the total cash outflow for leases amount to RMB2,233,000 (2019: RMB2,446,000).

During the year ended 31 December 2019, the Group had lease modification in respect of shorten the lease term on a lease arrangement of an office premises. The right-of-use asset for RMB361,000 and the lease liability for RMB359,000 as at the date of lease modification were derecognised. Loss on lease modification of RMB2,000 had been recognised during the year ended 31 December 2019.

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

	2020 RMB'000	2019 RMB'000
Investments in films, drama and non-drama	95,456	71,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. INVESTMENTS IN FILMS, DRAMA AND NON-DRAMA/FILMS, DRAMA AND NON-DRAMA PRODUCTIONS IN PROGRESS *(continued)*

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.

	2020 RMB'000	2019 RMB'000
Films, drama and non-drama productions in progress	89,977	31,507

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.

18. TELEVISION PROGRAMME RIGHTS

	2020 RMB'000	2019 RMB'000
Television programme rights	4,107	–

During the year ended 31 December 2020, television programme rights of approximately RMB4,107,000 were purchased from an independent third party and were recognised at cost at the date of acquisition.

Television programme rights are amortised over estimated useful lives of 8 years.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	97,385	155,352
Less: allowance for impairment of trade receivables	(13,100)	(8,583)
	84,285	146,769
Other receivables and deposits	1,577	3,482
Prepayments	15,549	13,088
	101,411	163,339

As at 31 December 2020, the gross amount of trade receivables arising from contracts with customers amounted to RMB97,385,000 (2019: RMB155,352,000).

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

	2020 RMB'000	2019 RMB'000
Within 90 days	36,934	137,726
91 to 180 days	25,624	7,442
Over 181 days	21,727	1,601
Total	84,285	146,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. TRADE AND OTHER RECEIVABLES *(continued)*

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated individually for debtors with significant balance and collectively for remaining debtors using a provision matrix by reference to an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The estimated loss rates are estimated based on historical default experience and adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the PRC and Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date.

The Group recognised lifetime ECL for trade receivables with gross carrying amount of RMB97,385,000 (2019: RMB155,352,000) as at 31 December 2020, based on individually assessment for significant debtors and collectively for remaining debtors by applying expected credit loss rates ranging from 2.5% to 12.6% (2019: from 2.6% to 11.9%). Impairment loss of RMB13,100,000 (2019: RMB8,583,000) is made as at 31 December 2020. The directors of the Company consider that the increase in expected credit loss rates is mainly due to economic condition of the industry.

The Group measured 12m ECL on other receivables and the impairment loss of RMB27,000 is made as at 31 December 2020 (2019: RMB27,000).

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

	Impairment loss of trade receivables	Impairment loss of other receivables	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2019	3,231	27	3,258
Loss allowance recognised	5,352	–	5,352
Balance as at 31 December 2019	8,583	27	8,610
Loss allowance recognised	4,621	–	4,621
Exchange realignment	(104)	–	(104)
Balance as at 31 December 2020	13,100	27	13,127

There has been no change in the estimation techniques or significant assumptions made.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Unlisted investments:		
Equity securities (Note)	-	-

Note:

The above unlisted equity investments represented the Group's equity interest in private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that they are not held for trading and are held for long-term investment purpose.

During the year ended 31 December 2020, an investee of the Group was deregistered. The carrying value of the investment was zero and the accumulated losses of approximately RMB132,000 previously recognised in financial assets at FVTOCI reserve was transferred to accumulated losses accordingly.

The movements of equity instruments at FVTOCI are as follows:

	RMB'000
At 1 January 2019	1,676
Addition	330
Change in fair value of equity instruments at FVTOCI	(2,006)
At 31 December 2019 and 2020	-

21. BANK BALANCES AND CASH

Bank balances and bank deposits carried interest at market rates which ranged from 0.001% to 2.700% (2019: 0.001% to 2.700%) per annum.

Included in the cash and cash equivalents are the following amounts denominated in currencies other than the functional currencies of relevant group entities:

	2020 RMB'000	2019 RMB'000
RMB	134,030	-
HKD	-	106,393
USD	5,541	6,297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

22. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Trade payables	38,120	69,118
Other payables	2,168	1,845
Accrued payroll and accruals	3,954	4,845
	6,122	6,690
Trade and other payables	44,242	75,808
Contract liabilities	79,492	29,522

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

	2020 RMB'000	2019 RMB'000
Within 90 days	13,683	58,045
91 to 180 days	24,437	11,073
Total	38,120	69,118

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

Contract liabilities mainly represent advance billings to the customers for films, drama and non-drama 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 or services are transferred or rendered.

Revenue recognised during the year ended 31 December 2020 that was included in the contract liabilities at the beginning of the year is RMB27,037,000 (2019: RMB9,772,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year. As at 31 December 2020, all contract liabilities are expected to be recognised as income within one year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

23. BALANCES WITH RELATED PARTIES

A) AMOUNTS DUE FROM RELATED PARTIES

	2020		Maximum amount outstanding during	
	RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Amounts due from				
– Good Servant Production Limited (Notes ii and iv)	257	–	257	–
– MyTV Super Limited (Note iv and v)	904	–	904	–
	1,161	–	1,161	–

B) AMOUNTS DUE TO RELATED PARTIES

	2020 RMB'000	2019 RMB'000
Amounts due to		
– Television Broadcasts Limited (“TVB”) (Notes i and iv)	3,230	11,746
– Good Servant Production Limited (Notes ii and iv)	912	892
– Mr. Wong Cho Lam (Notes ii and iv)	43,985	14,030
– Ms. Li Yanan Leanne (Notes iii and iv)	4,529	232
	52,656	26,900

Notes:

- i. TVB held equity interest in the Company as at 31 December 2020, and Mr. Li Ruigang, the substantial shareholder and director of the Company also held beneficial interests and directorship in this company.
- ii. As at 31 December 2020, Mr. Wong Cho Lam, who is a director and a non-controlling shareholder of Tailor Made, held 100% (2019:100%) equity interests of Good Servant Production Limited.
- iii. Ms. Li Yanan Leanne, who is the spouse of Mr. Wong Cho Lam, is deemed to be interested in Tailor Made in which Mr. Wong Cho Lam is interested.
- iv. The amounts are unsecured, interest-free and repayable on demand.
- v. MyTV Super Limited is a subsidiary of TVB. TVB held 100% equity interest of MyTV Super Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

24. BANK BORROWINGS

	2020 RMB'000	2019 RMB'000
Bank borrowings repayable contain a repayable on demand clause:		
Unsecured	–	13,424

During the year ended 31 December 2019, the Group obtained bank borrowing of HK\$5,000,000 (equivalent to approximately RMB4,556,000) to finance the general working capital of the Group.

The bank borrowing carried floating rate at Hong Kong Interbank Offered Rate (“HIBOR”) plus 2.8% per annum as at 31 December 2019.

The Group’s borrowing that is denominated in currency other than functional currency of the relevant group entities is set out below:

	2020 RMB'000	2019 RMB'000
HK\$	–	13,424

As at 31 December 2020, banking facilities (2019: bank borrowings and banking facilities) were secured by the unlimited personal guarantee provided by a director and a non-controlling shareholder of Tailor Made. The borrowing was fully settled during the year ended 31 December 2020.

25. SHARE CAPITAL

	Number of shares		Share capital	
	2020 '000	2019 '000	2020 HK\$'000	2019 HK\$'000
Ordinary shares of HK\$0.01 each				
<i>Authorised:</i>				
At end of the year	10,000,000	10,000,000	100,000	100,000

	Number of shares		Share capital	
	2020 '000	2019 '000	2020 HK\$'000	2019 HK\$'000
<i>Issued and fully paid:</i>				
At end of the year	1,419,610	1,419,610	14,196	14,196
			RMB'000	RMB'000
Presented as			12,322	12,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in Note 24, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

27. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost	380,052	479,087
Financial liabilities		
Liabilities measured at amortised cost	96,898	116,132

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

27. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk

(i) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong Dollars (“HK\$”), RMB and United States Dollars (“USD”).

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group’s foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	2020		2019	
	Assets RMB’000	Liabilities RMB’000	Assets RMB’000	Liabilities RMB’000
HK\$	–	–	106,393	13,424
USD	5,541	–	6,297	–
RMB	134,030	–	–	–

Sensitivity analysis

The Group entities are mainly exposed to the fluctuation of HK\$, USD and RMB.

The following table details the Group’s sensitivity to a 5% (2019: 5%) increase and decrease in functional currency of respective entities against the relevant foreign currencies for the year ended 31 December 2020. 5% (2019: 5%) is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2019: 5%) change in foreign currency rates.

A negative number below indicates an increase in loss before tax (2019: decrease in profit before tax) for the year where the functional currencies of the relevant group entity strengthen 5% (2019: 5%) against the relevant foreign currencies. For a 5% (2019: 5%), weakening of the relevant functional currencies against the relevant foreign currency, there would be an equal and opposite impact on the loss before tax (2019: profit before tax) for the year.

	2020 RMB’000	2019 RMB’000
Impact to profit or loss before tax	(6,979)	(4,963)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

27. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances (see Note 21 for details) and bank borrowings (see Note 24 for details). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from bank borrowings.

Sensitivity analysis

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

Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group applies simplified approach on trade receivables to provide for ECL prescribed by HKFRS 9. To measure the ECL, the trade receivables have been grouped based on shared credit risk characteristics with details disclosed in Note 19. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 40% (2019: 54%) and 61% (2019: 62%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

27. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with terms of loan.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	On demand or within one year RMB'000	One to five years RMB'000	Total undiscounted cashflow RMB'000	Carrying amount RMB'000
At 31 December 2020				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	44,242	-	44,242	44,242
Amounts due to related parties	52,656	-	52,656	52,656
	96,898	-	96,898	96,898
Lease liabilities	473	315	788	760
At 31 December 2019				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	75,808	-	75,808	75,808
Bank borrowings	13,424	-	13,424	13,424
Amounts due to related parties	26,900	-	26,900	26,900
	116,132	-	116,132	116,132
Lease liabilities	501	837	1,338	1,264



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

27. FINANCIAL INSTRUMENTS *(continued)*

(C) FAIR VALUE MEASUREMENTS RECOGNISED OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)
	31 December 2020	31 December 2019			
Private equity investments at FVTOCI	-	-	Level 3	Income approach – under this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.	1. Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries at 3% (2019: 3%). (Note i) 2. Discount rate, taking into account of weighted average cost of capital (WACC) determined using a Capital Asset Pricing Model at 12% (2019: 12%). (Note i) 3. Discount for lack of marketability at 20.6% (2019: 20.6%). (Note i)

Note:

- (i) As at 31 December 2020 and 2019, the directors of the Company considered that the sensitivity of the fair value measurement to a change in the key unobservable inputs is insignificant. Accordingly, no sensitivity analysis is presented.

(D) RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

	Private equity investments at FVTOCI RMB'000
At 1 January 2019	1,676
Addition	330
Fair value change recognised in other comprehensive income	(2,006)
At 31 December 2019 and 2020	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000	Bank borrowings RMB'000
As at 1 January 2019	480	8,868
Financing cash inflows	–	4,556
Financing cash outflows	(313)	(1,074)
Non-cash changes		
New lease arrangement	1,429	–
Interest charge	27	1,074
Lease modification	(359)	–
As at 31 December 2019	1,264	13,424
Financing cash outflows	(498)	(13,786)
Non-cash changes		
Interest charge	46	465
Exchange difference	(52)	(103)
As at 31 December 2020	760	–



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

29. RETIREMENT BENEFITS SCHEMES

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

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

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2020, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to approximately RMB951,000 (2019: RMB1,866,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30. RELATED PARTY TRANSACTIONS

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

(A) TRANSACTIONS

Name of company	Notes	Nature of transaction	2020 RMB'000	2019 RMB'000
TVB Group	i, ii	Films, drama and non-drama productions income	15,537	–
		Artiste management income	4,755	25
		Service income	42	–
		Rental expenses under short-term leases	(367)	(368)
		Consultancy fee	(62)	–
		Talent fee	(358)	(6,954)
		Promotion fee	(223)	(439)
		Service fee	(1,202)	(2,980)
		License fee	–	(878)
Mr. Wong Cho Lam	iii	Artiste management income*	13,095	21,617
Ms. Li Yanan Leanne	iv	Artiste management income*	1,220	1,367

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30. RELATED PARTY TRANSACTIONS *(continued)*

(A) TRANSACTIONS *(continued)*

Notes:

- i. TVB had equity interest in the Company, and Mr. Li Ruigang, the chairman, director and substantial shareholder of the Company also held interest and directorship in TVB.
- ii. The income was received from (fees paid to) TVB and its subsidiaries ("TVB Group"), including Television Broadcasts Limited, TVB Publications Limited, MyTV Super Limited, TVB Anywhere Limited, 上海翡翠東方傳播有限公司 and TVBI Company Limited during the year.
- iii. Mr. Wong Cho Lam, who is a director and a non-controlling shareholder of Tailor Made and indirectly holding 26.5% (2019: 22.5%) of the issued shares of Tailor Made.
- iv. Ms. Li Yanan Leanne, who is the spouse of Mr. Wong Cho Lam, is deemed to be interested in Tailor Made in which Mr. Wong Cho Lam is interested.

During year ended 31 December 2019, TVB had purchased a television drama license at cost of approximately RMB2,103,000 from the Group. No gain or loss being recognised in profit or loss during the year ended 31 December 2019.

During year ended 31 December 2019, TVB had purchased a movie interest at cost of approximately RMB10,739,000 from the Group. No gain or loss being recognised in profit or loss during the year ended 31 December 2019.

The above transactions were conducted at terms determined on basis mutually agreed between the Group and the related parties.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	2020 RMB'000	2019 RMB'000
Short-term benefits	5,511	6,411
Post-employment benefits	80	75
	5,591	6,486

The remuneration of directors and other members of key management are determined by the remuneration committee having regard to the performance of the individuals and market trends.

(C) BANKING FACILITIES

A director and a non-controlling shareholder of Tailor Made have provided unlimited personal guarantee for the grant of banking facilities to the Group as disclosed in Note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Plant and equipment		7	25
Interests in subsidiaries		1	1
		8	26
Current assets			
Other receivables		127	265
Amounts due from subsidiaries	(b)	328,083	350,668
Bank balances and cash		10,850	11,633
		339,060	362,566
Current liabilities			
Other payables		2,636	3,265
Income tax payable		–	2,618
		2,636	5,883
Net current assets		336,424	356,683
Total assets less current liabilities		336,432	356,709
Capital and reserves			
Share capital		12,322	12,322
Reserves	(a)	324,110	344,387
Total equity		336,432	356,709



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

Notes:

(a) Reserves

	Share premium RMB'000	Translation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	750,821	–	(391,690)	359,131
Loss and total comprehensive expense for the year	–	–	(14,744)	(14,744)
At 31 December 2019	750,821	–	(406,434)	344,387
At 1 January 2020	750,821	–	(406,434)	344,387
Profit for the year	–	–	1,036	1,036
Other comprehensive expense for the year Exchange difference arising on translation of financial statements from functional currency to presentation currency	–	(21,313)	–	(21,313)
Total comprehensive income (expense) for the year	–	(21,313)	1,036	(20,277)
At 31 December 2020	750,821	(21,313)	(405,398)	324,110

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(A) GENERAL INFORMATION OF SUBSIDIARIES

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

Name of subsidiaries	Place/Country of incorporation or registration/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Equity interest and voting power attributable to the Group		Proportion ownership interest held by the Company		Principal activities
				Indirect				
				2020 %	2019 %	2020 %	2019 %	
Shaw Brothers Pictures International Limited 邵氏兄弟國際影業有限公司	Hong Kong 23 March 2016	Ordinary	HK\$10	100%	100%	100%	100%	Investments in films, drama and non-drama and Artiste and event management
Tailor Made Production Limited 手工藝創作有限公司	Hong Kong 31 March 2016	Ordinary	HK\$850	47%	40%	47%	40%	Investments in films, drama and non-drama and Artiste and event management
北京藍媒手工藝創作文化有限公司	PRC 11 Mar 2017	Ordinary	HK\$30,000,000	47%	40%	47%	40%	Investments in films, drama and non-drama and Artiste and event management

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during both years and at the end of both years.

All of the above subsidiaries operate principally in their respective place of incorporation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(A) GENERAL INFORMATION OF SUBSIDIARIES *(continued)*

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		31 December 2020	31 December 2019
Investment holding	BVI	2	2
	Hong Kong	2	2
Inactive	The PRC	4	4
	BVI	1	1
	Hong Kong	8	7
		17	16

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

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

Name of subsidiaries	Proportion of ownership interests held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2020	2019	2020	2019	2020	2019
	%	%	RMB'000	RMB'000	RMB'000	RMB'000
Tailor Made Production Limited	53%	60%	(4,104)	1,129	(7,682)	(5,884)
Individually immaterial subsidiaries with non-controlling interests			(49)	255	(555)	(539)
Total			(4,153)	1,384	(8,237)	(6,423)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

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

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra group eliminations.

Tailor Made Production Limited	2020	2019
	RMB'000	RMB'000
Current assets	99,807	83,471
Non-current assets	899	559
Current liabilities	114,238	93,266
Equity attributable to owners of the Company	(4,972)	(3,352)
Non-controlling interests	(7,682)	(5,884)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

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

	2020 RMB'000	2019 RMB'000
Revenue	28,945	79,766
Expenses	(35,621)	(77,354)
(Loss) Profit for the year	(6,676)	2,412
(Loss) Profit attributable to owners of the Company	(2,572)	1,283
(Loss) Profit attributable to the non-controlling interests	(4,104)	1,129
(Loss) Profit for the year	(6,676)	2,412
Other comprehensive income attributable to owners of the Company	952	–
Other comprehensive income attributable to the non-controlling interests	1,428	–
Other comprehensive income for the year	2,380	–
Total comprehensive (expense) income for the year	(4,296)	2,412
Net cash inflow from operating activities	19,990	3,060
Net cash outflow from investing activities	(681)	(337)
Net cash (outflow) inflow from financing activities	(13,752)	3,755
Net cash inflow	5,557	6,478

33. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2019, the Group entered into a new lease arrangement in respect of office premises. Right-of-use assets and lease liabilities of RMB1,429,000 were recognised at the commencement of the leases.

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below:

RESULTS

(Year ended 31 December)

	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Re-presented)
Revenue	114,373	302,227	217,997	280,848	187,633
– Continuing	114,373	302,227	217,997	152,831	93,855
– Discontinued	–	–	–	128,017	93,778
Gross Profit	42,114	113,163	68,233	63,073	29,460
– Continuing	42,114	113,163	68,233	35,242	10,510
– Discontinued	–	–	–	27,831	18,950
Total comprehensive (expense) income for the year	(24,339)	17,269	8,526	(6,561)	(38,810)
– Continuing	(24,339)	17,269	7,476	(6,115)	(30,225)
– Discontinued	–	–	1,050	(446)	(8,585)

ASSETS AND LIABILITIES

(As at 31 December)

	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	586,933	596,983	459,677	625,316	621,583
Total liabilities	(181,579)	(167,290)	(47,253)	(187,514)	(177,220)
Net assets	405,354	429,693	412,424	437,802	444,363





電影·劇集
Film·Drama



焦點藝人

Focused Artistes



Michael Wong
王敏德



Lawrence Ng
吳啟華



Bosco Wong
黃宗澤



Joe Ma
馬德鐘



Alex Fong
方力申



Jacky Cai
蔡潔



Rosina Lam
林夏薇



Nancy Wu
胡定欣



Jeannie Chan
陳滢



Selena Lee
李施嬅



Benjamin Yuen
袁偉豪



Kwok Chun On
郭晉安



Vincent Wong
王浩信



Wong Cho Lam
王祖藍



Oscar Leung
梁競徽



Chloe So
蘇皓兒



Eliza Sam
岑麗香



Leanne Li
李亞男



Christine Ng
伍詠薇



Coco Chiang
蔣怡



Lawrence Cheng
鄭丹瑞



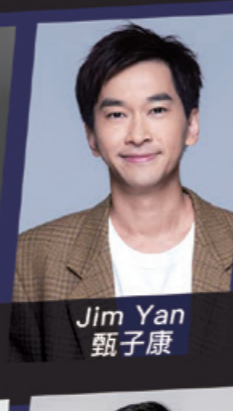
Sammy Sum
沈震軒



Kelvin Kwan
關楚耀



Hubert Wu
胡鴻鈞



Jim Yan
甄子康



Donald Tong
唐劍康



Akina Hong
康華



Susanna Kwan
關菊英



Teresa Carpio
杜麗莎



Helena Law
羅蘭



Gigi Wong
黃淑儀



Charlene Houghton
何慈恩



Louis Yuen
阮兆祥



Matthew Ko
高鈞賢



Hugo Ng
吳岱融



Kent Cheng
鄭則士



Derek Kok
郭政鴻



Jason Chan
陳智榮



Sean Li
李偉霆



Timothy Cheng
鄭子誠



Jason Pai
白彪



Gilbert Lam
林韋辰



Pat Poon
潘志文



Eric Cheng
鄭啟泰



Gregory Rivers
河國榮



Jeffery Lai
黎學勤



Shaopin Tsui
徐肇平



Sheldon Lo
羅孝勇



Kyle Lee
李爾晨



King Kong
金剛



Gordon
葉灝基



Lincoln
許俊豪



Ronny Lay
黎澤恩



Bob Cheung
張彥博



Jeremy Wong
黃俊豪



Frederick Cheung
張子丰

獎項 Awards



“Best Web Series” TV drama
at the 16th Chinese American Television Festival 2020
二零二零年第16屆中美電視節電視劇「最佳網劇」



“Golden Angel Award Films”
at the 16th Chinese American Film Festival 2020
二零二零年第16屆中美電影節「金天使獎電影」

