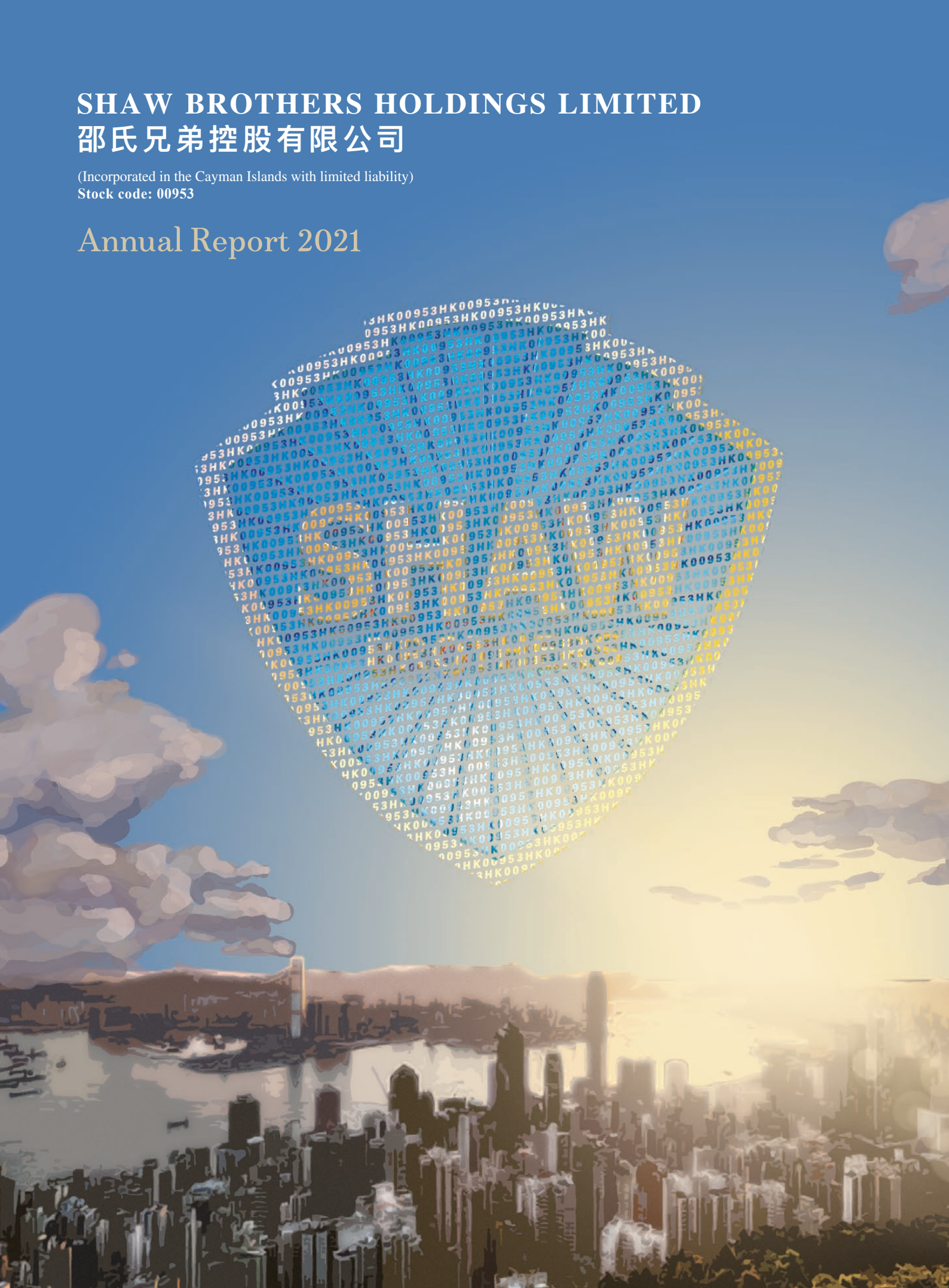


SHAW BROTHERS HOLDINGS LIMITED

邵氏兄弟控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 00953

Annual Report 2021







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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 Chairlady)
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 Chairlady)
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 Leung Tsz Kwan (*appointed on 1 July 2021*)
Miss Chan Yin Yi Annie (*resigned on 1 July 2021*)

AUTHORISED REPRESENTATIVES

Miss Lok Yee Ling Virginia
Miss Leung Tsz Kwan (*appointed on 1 July 2021*)
Miss Chan Yin Yi Annie (*resigned on 1 July 2021*)

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
Certified Public Accountants
Registered Public Interest
Entity Auditor

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", together with its subsidiaries, the "Group"), present the Group's financial results and major business developments for the financial year ended 31 December 2021. The profit attributable to owners of the Company increased to RMB16,403,000 from RMB2,263,000 in the previous financial year. This success derives from our adherence to our strategy of investing in high-quality content by utilizing our production expertise, strategic partnerships, and rich talent resources.

BUSINESS OVERVIEW

In 2021, we continue to leverage our content development capabilities to produce or distribute high-quality content including film and drama series through collaborating with our industry partners.

With the support of audiences, "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), Ron Ng (吳卓羲), Eddie Cheung (張兆輝), Joe Ma (馬德鐘) and Roger Kwok (郭晉安) was released in Alibaba's Youku platform in December 2021, which generated satisfactory viewership and thus intensified our collaboration with leading Chinese online video platform. The series was also broadcasted through myTV SUPER and free-to-air channel in Hong Kong under Television Broadcasts Limited ("TVB") in February 2022.

Furthermore, A 30-episode anti-corruption drama series 《廉政狙擊》 led by Bosco Wong (黃宗澤), Shaun Tam (譚俊彥), Ron Ng (吳卓羲) and Nancy Wu (胡定欣) is under post-production stage and scheduled to be released on Youku platform in the second half of 2022.

The outbreak of COVID-19 has affected the Group's operation in the artiste and event management segment since 2020, a significant amount of the commercial activities and artistes' performance in this business unit have been suspended or postponed. The revenue generated from commercial activities and artiste performance is highly depends on the development of the COVID-19 pandemic.

CHAIRMAN'S STATEMENT

OUTLOOK AND PROSPECT

As the COVID-19 pandemic outbreak created lingering effects and unprecedented challenges to the entertainment industry as well as the worldwide economy, the Group has upheld its social responsibilities and taken active measures in order to mitigate the negative impact of the pandemic.

Looking forward, 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 Mainland China and Hong Kong. We will continue to improve our competitive advantage by focusing on the development of quality content, innovation and further collaboration with upstream and downstream partners so as to increase shareholders' value.

APPRECIATION

On behalf of the Board of Directors, I would like to express my gratitude to the management team and our artistes for their commitment and efforts over the past year. What is more, I would like to express my appreciation of the perseverance and dedication of all members of Shaw Brothers Holding Limited under the pandemic outbreak. Last but not least, I would like to extend my sincere gratitude to the shareholders, business partners and customers for their unwavering support, which has been fundamental to the Group's continued success.

Shaw Brothers Holdings Limited

Li Ruigang

Chairman

Hong Kong 22 March, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue increased from RMB114,373,000 to RMB215,518,000 in 2021. The following table sets out the revenue of the Group for the year as well as for 2020.

	2021 RMB'000	2020 RMB'000
Films, drama and non-drama	180,813	84,530
Artiste and event management	34,677	28,680
Others	28	1,163
	215,518	114,373

Film and Drama and Non-Drama Productions

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 Michael Miu (苗僑偉), Bosco Wong (黃宗澤), Ron Ng (吳卓羲), Eddie Cheung (張兆輝), Joe Ma (馬德鐘) and Roger Kwok (郭晉安) in July 2020. The online drama has been released on the Youku platform in the fourth quarter of 2021.

During the year, the movie titled "All U Need Is Love" 《總是有愛在隔離》 was released both in Hong Kong and mainland China during the Easter Holiday.

To enrich the business portfolio and broaden the income stream, the Group continued to invest and produce films, drama and non-drama in mainland China and Hong Kong. The collaboration with TVB Anywhere and myTV Super successfully launched 3 variety shows including "Master's Talk" 《師父有請》, "Coffee, You and Me 2" 《緣來自咖啡2》, "Drive U To The Hell" 《鬼上你架車》 and "Drive U To The Hell 2" 《鬼上你架車2》 during the year. The Group continue to explore further opportunities for collaboration with various Chinese portals and video websites in mainland China and Hong Kong.

A 30-episode anti-corruption drama series 《廉政狙擊》 starring Bosco Wong (黃宗澤), Shaun Tam (譚俊彥), Ron Ng (吳卓羲) and Nancy Wu (胡定欣) is now in the post-production stage and expected to be released on the Youku platform in the second half of 2022.

Artiste and Event Management

During the year, there are over 80 artistes under the management of the Group. The turnover of artistes and event management recorded an increase from approximately RMB28,680,000 of last year to RMB34,677,000 in the current year. Although there was an increment in 2021, the Group's revenue generated from commercial activities and artiste performance is highly depends on the development of the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group increased from approximately RMB114,373,000 to RMB 215,518,000. Profit attributable to the owners of the Company was increased from approximately RMB2,263,000 in 2020 to approximately RMB16,403,000 in 2021. The increase was mainly due to the increased contribution from films and drama, and artiste and event management segment during the year. The outbreak of the COVID-19 pandemic has dented the sentiment in mainland China and Hong Kong's entertainment industry as a whole since early 2020. There has been deferral in the release and development of certain films and drama projects and a decline in external commercial engagements in artiste and event management businesses during 2020. The situation was slightly alleviated during 2021. For the year, earnings per share amounted to RMB1.16 cents (2020: RMB0.16 cents).

During the year, revenue from films, drama and non-drama amounted to approximately RMB180,813,000 (2020: RMB84,530,000). The increase was due to recognition of the major portion of the income from one major TV drama, namely "Flying Tiger 3" 《飛虎之壯志英雄》 during the fourth quarter of 2021 and more share of income from the movies released as compared with 2020. Artiste and event management service income increased from RMB28,680,000 in 2020 to RMB34,677,000 in 2021 due to a slight recovery in external commercial engagements during the year.

Since more business activities were carried out in the year, the cost of sales increased from RMB72,259,000 to RMB134,638,000, which was in line with the increase in revenue.

Other income and gains decreased from RMB12,349,000 to RMB6,261,000. The decrease was mainly contributed by (i) the decrease in net exchange gain from RMB6,432,000 to RMB2,945,000, (ii) the decrease in interest income from RMB3,491,000 to RMB2,137,000, and (iii) there is no one-off subsidy granted from Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region in 2021 (2020: RMB1,549,000).

Selling and distribution expenses increased from RMB6,253,000 to RMB7,590,000, primarily due to the promotion and advertising activities incurred from the films, drama and non-drama and artiste management during the year.

Administrative expenses decreased to approximately RMB35,937,000 in 2021 (2020: RMB43,998,000). The decrease was primarily due to the implementation of cost tightening measures during the year in view of the difficult business environment under COVID-19.

Impairment loss of investments in film for the year amounted to RMB20,824,000 (2020: NIL). The impairment loss was made based on management's estimation of the recoverable amount against the carrying amount of the film investment. The impairment loss was determined based on the present value of expected future revenues and related cash flows arising from the film investment.

Income tax expense for the year increased from RMB970,000 to RMB7,581,000 which was in line with the increase in overall profitability.

Trade receivables from third parties, net of loss allowance, increased from RMB84,285,000 to RMB84,833,000 due to the box office income not yet received from the distributors for the films, drama and non-drama released during the year. Details of trade and other receivables as at 31 December 2021 are set out in Note 19 in this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Investments in films, drama and non-drama decreased from approximately RMB95,456,000 to RMB63,237,000 as certain films and drama were recognised as cost of sales, and an impairment loss for the investments in films was recognised during the year.

As at 31 December 2021, films, drama and non-drama productions in progress decreased to RMB65,340,000 (31 December 2020: RMB89,977,000) as certain films and drama were telecasted and recognised as costs of sales during the year.

Trade and other payables decreased from approximately RMB44,242,000 to RMB37,394,000 due to distribution of the share of box office movie income attributable to the other investors according to their percentages of investment during the year.

Contract liabilities increased from RMB79,492,000 to RMB83,270,000, mainly from the receipt in advance of drama production.

Amounts due to related parties decreased from RMB52,656,000 to RMB37,176,000 due to decreased in payables related to artistes and event service income, net of commission income receivable by the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations with internal resources and bank borrowings, whenever necessary. As at 31 December 2021, the Group had total bank balances and cash and short-term bank deposits amounted to RMB312,059,000 (31 December 2020: RMB293,029,000). The Group's bank and cash balances were denominated in HK\$, RMB, and United States Dollars ("USD").

PLEDGE OF ASSETS

As at 31 December 2021, the Group did not have any pledge of assets (31 December 2020: nil).

CAPITAL STRUCTURE

As at 31 December 2021, the Group's equity attributable to owners of the Company increased by 1.30% to RMB418,983,000 (31 December 2020: RMB413,591,000). Net asset value per share attributable to owners of the Company as at 31 December 2021 was RMB29.51 cents (31 December 2020: RMB29.13 cents). The current ratio was 3.2 as at 31 December 2021 (31 December 2020: 3.2).

As at 31 December 2021 and 31 December 2020, the number of total issued shares of the Company was 1,419,610,000.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2021, the Group had capital commitments on unpaid registered capital of an associate at RMB1,100,000 (31 December 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

On 19 August 2021, Shaw Brothers Pictures Limited, a wholly-owned subsidiary of the Company and Big Big e-Commerce Group Limited (“Big Big e-Commerce”), a subsidiary of TVB, and a special purpose vehicle (“SPV”) established by Big Big e-Commerce entered into a subscription agreement. Pursuant to the agreement, the Group has invested in the SPV with a minority of shares and voting rights at completion. The aggregate consideration in respect of the shares of the SPV subscribed by the Company was HK\$35,000,000, which was satisfied in cash.

In addition, the SPV has subscribed approximately 75% of the issued share capital of Ztore Investment Limited, which owns and operates two e-commerce platforms in Hong Kong, namely ztore.com and neigbuy.com. The transaction was completed on 27 August 2021. For details, please refer to the Company’s announcement dated 19 August 2021.

Save as disclosed above, the Group had no other significant investment, material acquisition and disposal during the reporting period and up to the date of this report.

FINAL DIVIDEND

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

FOREIGN EXCHANGE RISK

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

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

BANK BORROWINGS AND GEARING RATIO

The Group had no 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 2021 (31 December 2020: Nil).

HUMAN RESOURCES

As at 31 December 2021, the Group had a total of 68 employees (31 December 2020: 68 employees).

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy-saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling of used papers and energy saving. Details of the environmental policies and performance of the Group will be disclosed in the “Environmental, Social and Governance Report” which will be published on the website of the Company at www.shawbrotherspictures.com (the “Company’s Website”) and the website of the Stock Exchange for listed issuers information at www.hkexnews.hk (the “Exchange’s Website”) in due course.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus, the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year, there was no material and significant dispute between the Group and its business partners or bank enterprises.

CORPORATE GOVERNANCE REPORT

The 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 23 to 25 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 2 June 2021, Miss Lok Yee Ling Virginia and Mr. Pang Hong who retired as Directors at the annual general meeting of the Company held on 2 June 2021 (“2021 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, Mr. Li Ruigang and Mr. Hui To Thomas shall retire as Directors at the forthcoming annual general meeting of the Company to be held in June 2022 and, being eligible, offer themselves for re-election at the said meeting.

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.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

Pursuant to the code provision of the CG Code relating to board diversity, the Board has 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 has a total of 6 Directors

Executive Director

1

Non-executive Directors

5 (including 3 Independent non-executive Directors)

Gender

Male

4 (67%)

Female

2 (33%)

Age Group

The number of Directors falling within the following age groups are:

45 – 50	51 – 55	56 – 60	61 – 65	66 – 70
1	1	2	1	1

The average age of Directors is 58 years old.

Years of directorship with the Group

1-5 years

2

6-10 years

4

The background of each member of the Board are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 25 of this annual report.

Directors have very diversified background, ranging from management; finance and accounting; investment; legal and regulatory; media and entertainment; which fit well with the Company's business objectives. The Nomination Committee considers that this board structure to be optimal for the Company and for its future development.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

Each Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment so as to ensure the 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 2021 to brief the Directors on “Issuers’ Continuing Obligations” 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.

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 also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

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 5 meetings during the year. At the meetings or by the resolutions in writing, the Board had approved the 2020 annual results; 2021 interim results; reviewed the quarterly performance; approved the 2021 and 2022 budget and approved the publication of the relevant announcements in connection with the matters in this paragraph as required under the Listing Rules.

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 2021 AGM held during the year are summarised as follows:

	Type of meetings					2021 AGM
	Board meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	
Directors						
Mr. Li Ruigang	5/5	N/A	N/A	N/A	N/A	1/1
Miss Lok Yee Ling Virginia	5/5	4/4	N/A	N/A	N/A	1/1
Mr. Hui To Thomas	5/5	4/4	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.

CORPORATE GOVERNANCE REPORT

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 “Company’s 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 2021 are set out in the table under the section headed “Board Meetings and Procedures” on page 14 of this Corporate Governance Report.

EXECUTIVE COMMITTEE

The Executive Committee was established on 6 December 2018 with written terms of reference, which is available on the Company’s Website and the Exchange’s Website. It has two members comprising Miss Lok Yee Ling Virginia, the executive Director (chairlady) 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 four 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 Company’s 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 2020 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 review the 2021 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.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

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

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 review 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
RMB 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.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee was established on 6 January 2010 with written terms of reference, which is available on the Company's Website and the Exchange's Website. 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.

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.

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

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.

Internal Audit

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the directors will continue to review at least annually the need for an internal audit function.

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 external independent professionals 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.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged SHINEWING (HK) CPA Limited as its external auditor for the year. For the year ended 31 December 2021, 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	1,178
Non-audit services (Note)	713
Total	1,891

Note: Non-audit services included mainly the service of reviewing the interim results of the Group for the period ended 30 June 2021, and services of reviewing the environmental, social and governance report of the Group.

COMPANY SECRETARY

Miss Leung Tsz Kwan was appointed by the Board as the company secretary of the Company (the "Company Secretary") since 1 July 2021. She has taken sufficient training hours of relevant professional training during the year ended 31 December 2021 and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. The biographical details of Miss Leung are set out under the section headed "Biographical Details of Directors and Senior Management" on page 25 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 Company's Website 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 Company's 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) 2335-2879
Fax No.: (852) 2335-7363
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) 2335-2879
Fax No.: (852) 2335-7363

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held in June 2022. 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 2022 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 Company's Website and the Exchange's Website. 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 Company's Website and the Exchange's Website before attending the said meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Li Ruigang

Chairman and Non-Executive Director

Mr. Li Ruigang, aged 52, 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 of Hong Kong Limited (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 65, was appointed as an Executive Director of the Company on 29 January 2016. She is also the chairlady 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, artiste 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), Flying Tiger 3 (飛虎之壯志英雄) 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 49, 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. 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 68, 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 60, 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 the 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 59, was appointed as an Independent Non-executive Director of the Company on 29 January 2016. She is also the chairlady 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 Leung Tsz Kwan

Company Secretary

Miss Leung Tsz Kwan was appointed as the Company Secretary and Authorised Representative of the Company on 1 July 2021. She is a member of the Hong Kong Institute of Certified Public Accountants. Miss Leung has extensive working experience in company secretarial, accounting and finance in listed companies.

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 2021.

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 investment 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 9 and the Chairman's Statements as set out on pages 3 to 4 of this annual report. Such discussions forms part of this Directors' Report.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 42 of this annual report.

DIVIDEND POLICY

The Company has adopted the Dividend Policy in December 2018 with further update in March 2019.

Dividend distribution to the Company's shareholders should be approved by its shareholders or Directors, where appropriate. Directors may declare and pay such interim dividend as appear to the Directors to be justified by the profits of the Company and special dividend of such amounts out of distributable funds of the Company as they think fit. No dividend shall be payable except out of the profits of the Company available for distribution.

DIVIDENDS

The Directors did not declare any interim dividend or recommend final dividend for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 26 May 2022 to Thursday, 2 June 2022 (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 Wednesday, 25 May 2022.

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

There is no bank borrowings of the Group during the year (2020: nil).

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 in this annual report is set out on page 109. 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 Company's articles of association (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 RMB16,403,000 (2020: RMB2,263,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity in this annual report.

DIRECTORS' REPORT

RELATED PARTIES TRANSACTIONS

Details of the related party transactions entered by the Group in the normal course of business during the year ended 31 December 2021 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the Group’s five largest customers accounted for approximately 77% of the total sales, with the largest customer accounting for 63% of the aggregate amount of turnover.

Purchases from the Group’s five largest suppliers accounted for approximately 29% of the total purchases and purchase from the Group’s largest supplier included therein amounted to 8% of the total purchases.

Except for the information as disclosed in Note 30 to the consolidated financial statements in the 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.

Miss Lok Yee Ling Virginia and Mr. Pang Hong retired as Directors at the 2021 AGM, were successfully re-elected at the said meeting held on 2 June 2021.

Mr. Li Ruigang and Mr. Hui To Thomas shall retire as Directors at the forthcoming annual general meeting of the Company to be held in June 2022 and, being eligible, offer themselves for re-election at the said meeting.

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 11 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 15 to 17 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 23 to 25 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 2021.

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 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 2021. 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 RMB16,289,000 and RMB262,000 respectively during 2021.

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 pages 30 to 31 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' INTEREST IN COMPETING BUSINESS

As at 31 December 2021, 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 Television Broadcasts Limited ("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).

DIRECTORS' REPORT

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

- i) 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;
- ii) 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
- iii) the relevant Directors are fully aware of their fiduciary duties to the Group and will abstain from voting on any matter where these is or may be conflict of interest.

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 2021 amounted to RMB315 million.

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

As at 31 December 2021, 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.

- The percentage was calculated based on the total number of Shares in issue as at 31 December 2021, which was 1,419,610,000.
- 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 2021, 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 [#] (Note 2)	29.94%
Gold Pioneer	Interest of controlled corporation	425,000,000 [#] (Note 2)	29.94%
GLRG Holdings	Interest of controlled corporation	425,000,000 [#] (Note 2)	29.94%
CMC Inc.	Interest of controlled corporation	425,000,000 [#] (Note 2)	29.94%
CMC Shine Holdings	Interest of controlled corporation	425,000,000 [#] (Note 2)	29.94%
CMC Shine Acquisition	Interest of controlled corporation	425,000,000 [#] (Note 2)	29.94%
Shine Holdings	Interest of controlled corporation	425,000,000 [#] (Notes 2 and 4)	29.94%
Shine Investment	Beneficial owner	425,000,000 [#] (Notes 2 and 4)	29.94%
TVB	Deemed interest	425,000,000 [#] (Notes 3 and 4)	29.94%
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 "Director and Chief Executive's Interests in Shares, Underlying Shares and Debentures of the Company and Associated Corporation".

1. The percentage was calculated based on the total number of Shares in issue as at 31 December 2021, which was 1,419,610,000.

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 2021, 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 "Director and Chief Executive's 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, 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 2021 (the "ESG Report") have been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. The ESG Report will be published on the Company's Website and Exchange's website together with 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 2022

INDEPENDENT AUDITOR'S REPORT



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

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

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 42 to 108, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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.

VALUATION OF EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Refer to Note 20 to the consolidated financial statements and the accounting policies in Note 3.

The key audit matter

The valuation of equity instruments at fair value through other comprehensive income involves significant management judgment and estimates including profit forecast and discounted cash flow model.

We have identified valuation of equity instruments at fair value through other comprehensive income as a key audit matter because of the significance to the consolidated financial statements and the judgement and estimations involved in the valuation.

How the matter was addressed in our audit

Our audit procedures were designed to evaluate the management's valuation of equity instruments at fair value through other comprehensive income and reasonableness of the methodology adopted 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 the valuation of equity instruments at fair value through other comprehensive income 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, actions taken to eliminate threats or safeguards applied.

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 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	215,518	114,373
Cost of sales		(134,638)	(72,259)
Gross profit		80,880	42,114
Other income and gains	7	6,261	12,349
Selling and distribution expenses		(7,590)	(6,253)
Administrative expenses		(35,937)	(43,998)
Impairment loss of investments in film	17	(20,824)	–
Reversal of impairment loss of (impairment loss of) trade receivables		1,010	(4,621)
Share of loss of an associate	21	(436)	–
Finance costs	8	(323)	(511)
Profit (loss) before tax		23,041	(920)
Income tax expenses	9	(7,581)	(970)
Profit (loss) for the year	10	15,460	(1,890)
Profit (loss) for the year attributable to:			
– Owners of the Company		16,403	2,263
– Non-controlling interests		(943)	(4,153)
Profit (loss) for the year		15,460	(1,890)
Earnings per share			
– Basic and diluted (RMB cents)	13	1.16	0.16

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Profit (loss) for the year	15,460	(1,890)
Other comprehensive expenses for the year		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of financial statements	(10,392)	(22,449)
Total comprehensive income (expenses) for the year	5,068	(24,339)
Total comprehensive income (expenses) for the year attributable to		
– Owners of the Company	5,392	(21,647)
– Non-controlling interests	(324)	(2,692)
	5,068	(24,339)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Plant and equipment	15	2,400	1,044
Equity instruments at fair value through other comprehensive income	20	28,616	–
Right-of-use assets	16	6,317	748
Television programme rights	18	3,491	4,107
Interest in an associate	21	464	–
		41,288	5,899
Current assets			
Investments in films, drama and non-drama	17	63,237	95,456
Films, drama and non-drama productions in progress	17	65,340	89,977
Trade and other receivables	19	99,909	101,411
Amounts due from related parties	24	920	1,161
Bank balances and cash	22	312,059	293,029
		541,465	581,034
Current liabilities			
Trade and other payables	23	37,394	44,242
Contract liabilities	23	83,270	79,492
Income tax payables		7,986	4,429
Lease liabilities	16	1,095	449
Amounts due to related parties	24	37,176	52,656
		166,921	181,268
Net current assets		374,544	399,766
Total assets less current liabilities		415,832	405,665
Non-current liability			
Lease liabilities	16	5,410	311
Net assets		410,422	405,354

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Capital and reserves			
Share capital	25	12,322	12,322
Reserves		406,661	401,269
<hr/>			
Equity attributable to owners of the Company		418,983	413,591
Non-controlling interests		(8,561)	(8,237)
<hr/>			
Total equity		410,422	405,354

The consolidated financial statements on pages 42 to 108 were approved and authorised for issue by the board of directors on 22 March 2022 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 2021

	Attributable to the owners of the Company								Total
	Share capital	Share premium	Financial assets at fair value through other comprehensive income reserve	Translation reserves	Other reserves	Accumulated losses	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 (expense) income for the year:									
Exchange difference arising on translation of financial statements	-	-	-	(23,910)	-	-	(23,910)	1,461	(22,449)
Total comprehensive (expense) income 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
At 1 January 2021	12,322	750,821	(678)	(23,766)	141,080	(466,188)	413,591	(8,237)	405,354
Profit (loss) for the year	-	-	-	-	-	16,403	16,403	(943)	15,460
Other comprehensive (expense) income for the year:									
Exchange difference arising on translation of financial statements	-	-	-	(11,011)	-	-	(11,011)	619	(10,392)
Total comprehensive (expense) income for the year	-	-	-	(11,011)	-	16,403	5,392	(324)	5,068
At 31 December 2021	12,322	750,821	(678)	(34,777)	141,080	(449,785)	418,983	(8,561)	410,422

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 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	23,041	(920)
Adjustments for:		
Finance costs	323	511
Interest income	(2,137)	(3,491)
Depreciation of plant and equipment	625	413
Depreciation of right-of-use assets	1,205	474
Amortisation of television programme right	506	–
(Reversal of) impairment loss on trade and other receivables	(1,010)	4,621
Impairment loss on investment in film	20,824	–
Share of loss of an associate	436	–
Loss on disposal of plant and equipment	17	–
Gain on early termination of lease contract	(13)	–
Operating cash inflows before movements in working capital	43,817	1,608
Decrease (increase) in films, drama and non-drama investments	9,856	(27,613)
Decrease (increase) in films, drama and non-drama productions in progress	22,392	(63,621)
Decrease in trade and other receivables	814	52,641
Decrease in trade and other payables	(5,974)	(29,052)
Increase in contract liabilities	5,956	54,258
(Decrease) Increase in amounts due to related parties	(15,405)	26,032
Decrease (Increase) in amounts due from related parties	211	(1,225)
Cash generated from operations	61,667	13,028
Income tax paid	(3,952)	(16,621)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	57,715	(3,593)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Acquisition of TV programme rights		–	(4,107)
Purchases of plant and equipment		(2,007)	(791)
Disposal of plant and equipment		2	–
Interests received		2,137	3,491
Capital injection in an associate		(900)	–
Purchase of equity instruments at fair value through other comprehensive income		(29,032)	–
NET CASH USED IN INVESTING ACTIVITIES		(29,800)	(1,407)
FINANCING ACTIVITIES			
Repayments of principal elements of lease liabilities	29	(1,016)	(452)
Interests paid	29	(323)	(511)
Repayments to bank borrowings	29	–	(13,321)
NET CASH USED IN FROM FINANCING ACTIVITIES		(1,339)	(14,284)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		26,576	(19,284)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		293,029	328,836
Effect of foreign exchange rate changes		(7,546)	(16,523)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		312,059	293,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

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 following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 1 January 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of 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 2021

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 ³
Amendments to HKFRS 3	Reference to Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
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 ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use ²
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract ²
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 cycle ²

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

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 2021

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 2021

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 Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

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 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 2021

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 2021

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 2021

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.

(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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(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 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(vi) Modification of financial assets

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INTEREST IN AN ASSOCIATE

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in an associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

Licence income from television programme licensed for a fixed fee is recognised at a point in time when the television programme materials have been delivered to the licensees and the Group has no remaining obligations to perform.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASING *(continued)*

The Group as lessee (continued)

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.

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 2021

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 2021

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 related to income 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% (2020: 47%) 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% (2020: 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 2021

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 2021

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 is 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 an impairment review on television programme rights at the end of the 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 2021, the carrying value of television programme rights was RMB3,491,000 (2020: RMB4,107,000). No impairment has been recognised during the year ended 31 December 2021.

Fair value of equity instruments at fair value through other comprehensive income

As described in note 20, the directors of the Company use their judgement in selecting an appropriate valuation technique for equity instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Equity instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of equity instruments includes some assumptions not supported by observable market prices or rates. The carrying amount of the equity instruments as at 31 December 2021 is RMB28,616,000 (31 December 2020: nil). Details of the assumptions used are disclosed in note 27. The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. REVENUE

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

	2021 RMB'000	2020 RMB'000
Films, drama and non-drama productions	141,816	49,588
Investments in films, drama and non-drama	38,997	34,942
Artiste management services income	30,604	27,253
Event management services income	4,073	1,427
Others	28	1,163
	215,518	114,373

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).

As at 31 December 2021, the amounts of transaction price allocated to the remaining performance obligations related to licence income from television programme rights (unsatisfied or partially unsatisfied) expected to be recognised as revenue within one year and over one year are approximately RMB2,416,000 and RMB2,329,000 (2020: nil and nil), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 – 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							
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Segment revenue	180,813	84,530	34,677	28,680	28	1,163	215,518	114,373
Segment profit (loss)	33,206	16,491	10,980	8,085	24	(3,544)	44,210	21,032
Unallocated income							6,261	12,349
Unallocated expenses							(27,430)	(34,301)
Profit (loss) before tax							23,041	(920)

The accounting policies of the operating segments are the same as the Group’s accounting policies described in Note 3. Segment profit (loss) represents the profit (loss) 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 2021

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:

	2021 RMB'000	2020 RMB'000
SEGMENT ASSETS		
Films, drama and non-drama	223,060	275,277
Artiste and event management	11,080	13,300
Others	–	168
<hr/>		
Total segment assets	234,140	288,745
Unallocated assets	348,613	298,188
<hr/>		
	582,753	586,933
<hr/>		
SEGMENT LIABILITIES		
Films, drama and non-drama	142,933	170,286
Artiste and event management	22,733	10,451
Others	160	82
<hr/>		
Total segment liabilities	165,826	180,819
Unallocated liabilities	6,505	760
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	172,331	181,579
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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 lease liabilities as these liabilities are managed on a group basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021					
<i>Amounts included in the measure of segments results or segment assets:</i>					
Additions to non-current assets (Note)	-	900	-	9,151	10,051
Depreciation of plant and equipment	-	-	-	625	625
Depreciation of right-of-use assets	-	-	-	1,205	1,205
Impairment loss of investments in film	20,824	-	-	-	20,824
<i>Amounts regularly provided to the CODM but not included in the measure of segment result:</i>					
Interest income	-	-	-	(2,137)	(2,137)
Finance costs	-	-	-	323	323

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 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 2021

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 2021	196,396	19,122	215,518
Year ended 31 December 2020	88,920	25,453	114,373

Non-current assets

As at 31 December 2021	9,020	3,652	12,672
As at 31 December 2020	718	5,181	5,899

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2021 RMB'000	2020 RMB'000
Customer A ¹	135,590	33,134
Customer B ¹	–	28,152

¹ Revenue from films, drama and non-drama productions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. OTHER INCOME AND GAINS

	2021 RMB'000	2020 RMB'000
Net exchange gain	2,945	6,432
Interest income	2,137	3,491
Government subsidy (Note)	245	1,549
Others	934	877
	6,261	12,349

Note: Up to 31 December 2020, the Group recognised government subsidy of approximately RMB1,549,000 in respect of COVID-19 (2021: nil), which relates to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region.

8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interests on:		
Bank borrowings	–	465
Lease liabilities	323	46
	323	511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. INCOME TAX EXPENSES

	2021 RMB'000	2020 RMB'000
Current tax:		
Hong Kong Profits Tax	2,999	2,209
PRC Enterprise Income Tax ("EIT")	5,563	201
	8,562	2,410
Overprovision in prior years:		
Hong Kong Profits Tax	(981)	–
EIT	–	(1,440)
	7,581	970

- (i) Pursuant to the rule and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.
- (iii) Tax exemptions represent reduction of Hong Kong Profits Tax for the year of assessment of 2020/21 by 100%, subject to a ceiling of HK\$10,000 per case, and 2021/22 by 100%, subject to a ceiling of HK\$10,000 per case.
- (iv) Under the Law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. INCOME TAX EXPENSES *(continued)*

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

	2021 RMB'000	2020 RMB'000
Profit (loss) before tax	23,041	(920)
Tax at the domestic income tax rate of 16.5% (2020: 16.5%) (Note)	3,802	(152)
Effect of different tax rates of subsidiaries operating in other jurisdictions	693	(1,167)
Effect on adoption of two-tiered profits regime	(137)	(147)
Tax effect of income not taxable	(804)	(545)
Tax effect of non-deductible expenses	4,530	3,950
Overprovision in respect of prior years	(981)	(1,440)
Tax effect of tax losses not recognised	562	554
Tax effect of temporary difference not recognised	–	76
Utilisation of tax losses previously not recognised	(73)	(149)
Utilisation of deductible temporary difference previously not recognised	(3)	–
Effect of tax exemption granted	(8)	(10)
Income tax expenses for the year	7,581	970

Note: The domestic tax rate, which is Hong Kong Profit Tax 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 RMB13,606,000 (2020: RMB11,481,000) available for offset against future profits and may be carried forward indefinitely. 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 RMB450,000 (2020: 460,000). 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 2021

10. PROFIT (LOSS) FOR THE YEAR

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

	2021 RMB'000	2020 RMB'000
Directors' emoluments:		
Salaries and allowances	2,928	2,325
Contributions to retirement benefits scheme	10	16
	2,938	2,341
Staff costs:		
Salaries and allowances	17,579	17,058
Contributions to retirement benefits scheme (Note)	1,803	935
	19,382	17,993
Total staff costs (including directors' emoluments)	22,320	20,334
Amortisation of television programme rights	506	–
(Reversal of) impairment loss on trade and other receivables	(1,010)	4,621
Auditors' remuneration	1,178	1,225
Depreciation of plant and equipment	625	413
Depreciation of right-of-use assets	1,205	474
Exchange gain, net	(2,945)	(6,432)

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 31 December 2020. No such reduction was announced during the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021				
<i>Executive director:</i>				
Miss Lok Yee Ling Virginia	539	1,493	10	2,042
<i>Chairman and non-executive director:</i>				
Mr. Li Ruigang	300	-	-	300
<i>Non-executive director:</i>				
Mr. Hui To Thomas	149	-	-	149
	449	-	-	449
<i>Independent non-executive directors:</i>				
Mr. Pang Hong	149	-	-	149
Mr. Poon Kwok Hing, Albert	149	-	-	149
Miss Szeto Wai Ling Virginia	149	-	-	149
	447	-	-	447
	1,435	1,493	10	2,938

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 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

Note:

(a) The discretionary bonus is determined by the Company's performance and profitability and the prevailing market conditions.

No directors of the Company waived or agreed to waive any emoluments for the year ended 31 December 2021 and 2020.

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 2021 and 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2020: one) was the director of the Company whose emolument is set out in Note 11 above. The emoluments of the remaining four (2020: four) highest paid individuals were as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances, and other benefits	3,048	3,186
Contributions to retirement benefits scheme	60	64
	3,108	3,250

Their emoluments were within the following bands:

	2021 Number of individuals	2020 Number of individuals
Nil to HK\$1,000,000 (equivalent to approximately RMB830,000) (2020: RMB888,000)	3	3
HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately RMB830,001 to RMB1,244,000) (2020: RMB888,001 to RMB1,332,000)	1	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 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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:

	2021 RMB'000	2020 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)	16,403	2,263

	2021 '000	2020 '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 2021 and 2020.

14. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2021 and 2020, 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 2021

15. PLANT AND EQUIPMENT

	Office Equipment RMB'000
COST	
At 1 January 2020	2,629
Additions	791
<hr/>	
At 31 December 2020	3,420
Additions	2,007
Disposal	(455)
Exchange realignment	(31)
<hr/>	
At 31 December 2021	4,941
<hr/>	
ACCUMULATED DEPRECIATION	
At 1 January 2020	1,941
Provided for the year	413
Exchange realignment	22
<hr/>	
At 31 December 2020	2,376
Provided for the year	625
Disposal	(436)
Exchange realignment	(24)
<hr/>	
At 31 December 2021	2,541
<hr/>	
NET CARRYING AMOUNTS	
At 31 December 2021	2,400
<hr/>	
At 31 December 2020	1,044
<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 2021

16. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

(I) RIGHT-OF-USE ASSETS

	2021 RMB'000	2020 RMB'000
Office premises	6,317	748

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

Additions to the right-of-use assets for the year ended 31 December 2021 amounted to RMB7,144,000 (2020: nil) due to new leases of office premises.

(II) LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Non-current	5,410	311
Current	1,095	449
	6,505	760

	2021 RMB'000	2020 RMB'000
Amount payable under lease liabilities		
Within one year	1,095	449
After one year but within two years	1,335	311
After two years but within five years	4,075	–
	6,505	760

During the year ended 31 December 2021, the Group entered into a number of new lease agreements in respect of renting office premises and recognised lease liability of RMB7,144,000 (2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

(III) AMOUNTS RECOGNISED IN PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Depreciation expenses on right-of-use assets – office premises	1,205	474
Interest expenses on lease liabilities	323	46
Expenses relating to short-term leases	1,972	1,735
Gain on termination of a lease contract	(13)	–

(IV) OTHERS

During the year ended 31 December 2021, the total cash outflow for leases amount to RMB3,311,000 (2020: RMB2,233,000).

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

	2021 RMB'000	2020 RMB'000
Investments in films, drama and non-drama	84,061	95,456
Less: accumulated impairment	(20,824)	–
	63,237	95,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

During the year ended 31 December 2021, due to delay of the publication date and changes in the economic environment, the management considered that impairment indicators arose from a film investment, an impairment loss of approximately RMB20,824,000 (2020: nil) was recognised in respect of investments in films, drama and non-drama under films, drama and non-drama segment. The impairment was made based on management's estimation of the recoverable amount against the carrying amount of the film investment. The estimated recoverable amount as at 31 December 2021 was determined based on the present value of expected future revenues and related cash flows arising from the film investment, discounting at a rate of 10.1% (2020:10.3%).

	2021 RMB'000	2020 RMB'000
Films, drama and non-drama productions in progress	65,340	89,977

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. TELEVISION PROGRAMME RIGHTS

	Television programme rights RMB'000
COST	
At 1 January 2020	–
Additions	4,107
<hr/>	
At 31 December 2020	4,107
Exchange realignment	(117)
<hr/>	
At 31 December 2021	3,990
<hr/>	
ACCUMULATED DEPRECIATION	
At 1 January 2020	–
Provided for the year	–
<hr/>	
At 31 December 2020	–
Provided for the year	506
Exchange realignment	(7)
<hr/>	
At 31 December 2021	499
<hr/>	
NET CARRYING AMOUNTS	
At 31 December 2021	3,491
<hr/>	
At 31 December 2020	4,107
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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 2021

19. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	89,996	97,385
Less: allowance for impairment of trade receivables	(5,163)	(13,100)
	84,833	84,285
Other receivables and deposits	958	1,577
Prepayments	14,118	15,549
	99,909	101,411

As at 31 December 2021, the gross amount of trade receivables arising from contracts with customers amounted to RMB89,996,000 (2020: RMB97,385,000).

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:

	2021 RMB'000	2020 RMB'000
Within 90 days	49,015	36,934
91 to 180 days	8,795	25,624
181 to 365 days	14,214	21,727
Over 365 days	12,809	–
Total	84,833	84,285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 RMB89,996,000 (2020: RMB97,385,000) as at 31 December 2021, based on individually assessment for significant debtors and collectively for remaining debtors by applying expected credit loss rates ranging from 2.36% to 10.73% (2020: from 2.5% to 12.6%). Impairment loss of RMB5,163,000 (2020: RMB13,100,000) is made as at 31 December 2021. The directors of the Company consider that the decrease 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 2021 (2020: 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 2020	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
Written off	(6,880)	–	(6,880)
Reversal of loss allowance	(1,010)	–	(1,010)
Exchange realignment	(47)	–	(47)
Balance as at 31 December 2021	5,163	27	5,190

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 2021

20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Unlisted investments:		
Equity securities	28,616	–

The above unlisted equity investments represented the Group's equity interest in private entities. 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 loss of approximately RMB132,000 previously recognised in financial assets at FVTOCI reserve was transferred to accumulated loss accordingly.

During the year ended 31 December 2021, Shaw Brothers Pictures Limited, a wholly owned subsidiary of the Company and Big Big e-Commerce Group Limited ("Big Big e-Commerce"), a subsidiary of Television Broadcasts Limited, and a special purpose vehicle ("SPV") established by Big Big e-Commerce entered into a subscription agreement. Pursuant to the agreement, the Group has subscribed 99 ordinary voting shares and 1,651 ordinary non-voting shares of the SPV, which represent 9.9% of the voting rights and 17.5% of the total issued shares of the SPV at a cash consideration of HK\$35,000,000 (equivalent to approximately RMB29,032,000). Such equity investment was irrevocably designated at fair value through other comprehensive income mainly as the directors of the Company consider such investment to be strategic in nature and is not held for trading. The purpose of the SPV is to invest in Ztore Investment Limited, an exempted company with limited liability incorporated in the British Virgin Islands, which owns and operates two e-commerce platforms in Hong Kong, namely ztore.com and neigbuy.com. Details of the subscription are set out in the announcement of the Company dated 19 August 2021. The primary objective of this investment is to develop the Group's existing business portfolio and broaden its source of income. The directors of the Company are of the view that the transaction could help explore other sources of revenue such as livestreaming e-commerce using the Group's artistes and/or agency network and will expand and create synergy effect with the Group's existing business.

The movements of equity instruments at FVTOCI are as follows:

	RMB'000
Equity instruments at fair value through other comprehensive income – unlisted:	
At 31 December 2020 and 1 January 2021	–
Addition	29,032
Exchange realignment	(416)
At 31 December 2021	28,616

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

21. INTEREST IN AN ASSOCIATE

During the year ended 31 December 2021, a non-wholly owned subsidiary of the Group established an associate, Guangdong Haimei Mutual Entertainment Culture Media Co., Ltd.* (廣東海美互娛文化傳媒有限公司) (“Guangdong Haimei”) with three independent third parties. The registered capital of Guangdong Haimei is RMB10,000,000, among which, RMB2,000,000 to be contributed by the Group. The subsidiary held 20% equity interest in the associate. As at 31 December 2021, the Group is committed to further contribute capital of RMB1,100,000.

	2021 RMB'000	2020 RMB'000
Cost of interest in an associate	900	–
Share of loss of an associate	(436)	–
	464	–

Details of the Group’s principal associates at the end of the reporting period are as follows:

Company name	Place of establishment/ incorporation	Principal Place of operation	Proportion of ownership interest and proportion of voting rights held by the Group At 31 December		Principal activity
			2021	2020	
Guangdong Haimei	People’s Republic of China	Beijing, PRC	20%	–	Event management

* For identification purpose only

22. BANK BALANCES AND CASH

Bank balances and bank deposits carried interest at market rates which ranged from 0.001% to 2% (2020: 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:

	2021 RMB'000	2020 RMB'000
RMB	84,625	134,030
USD	5,064	5,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

23. TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Trade payables	30,702	38,120
Other payables	564	2,168
Accrued payroll and accruals	6,128	3,954
	6,692	6,122
Trade and other payables	37,394	44,242
Contract liabilities	83,270	79,492

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

	2021 RMB'000	2020 RMB'000
Within 90 days	16,329	13,683
91 to 180 days	14,373	24,437
Total	30,702	38,120

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 production. 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 2021 that was included in the contract liabilities at the beginning of the year is RMB72,567,000 (2020: RMB27,037,000). 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 2021, 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 2021

24. BALANCES WITH RELATED PARTIES

A) AMOUNTS DUE FROM RELATED PARTIES

	2021		Maximum amount outstanding during	
	RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Amounts due from				
– Good Servant Production Limited (Notes ii and iv)	–	257	257	257
–上海翡翠東方傳播有限公司 (Note iv and v)	206	–	206	–
–myTV Super Limited (Note iv and v)	425	904	904	904
–Television Broadcasts Limited (“TVB”) (Notes i and iv)	180	–	180	–
–TVB Publication Limited (Note iv and v)	102	–	102	–
–The Voice Entertainment Group Limited (Note iv and v)	7	–	7	–
	920	1,161		

B) AMOUNTS DUE TO RELATED PARTIES

	2021 RMB'000	2020 RMB'000
Amounts due to		
–Television Broadcasts Limited (“TVB”) (Notes i and iv)	1,977	3,230
– Good Servant Production Limited (Notes ii and iv)	902	912
– Mr. Wong Cho Lam (Notes ii and iv)	34,297	43,985
– Ms. Li Yanan Leanne (Notes iii and iv)	–	4,529
	37,176	52,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 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

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortised cost	398,770	380,052
Financial assets at FVTOCI	28,616	–
	427,386	380,052
Financial liabilities		
Liabilities measured at amortised cost	74,570	96,898

(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. 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 2021

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 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:

	2021		2020	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
USD	5,064	–	5,541	–
RMB	84,625	–	134,030	–

Sensitivity analysis

The Group entities are mainly exposed to the fluctuation of USD and RMB.

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in functional currency of respective entities against the relevant foreign currencies for the year ended 31 December 2021. 5% (2020: 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% (2020: 5%) change in foreign currency rates.

A negative number below indicates an decrease in profit before tax (2020: increase in loss before tax) for the year where the functional currencies of the relevant group entity strengthen 5% (2020: 5%) against the relevant foreign currencies. For a 5% (2020: 5%), weakening of the relevant functional currencies against the relevant foreign currency, there would be an equal and opposite impact on the profit before tax (2020: loss before tax) for the year.

	2021 RMB'000	2020 RMB'000
Impact to profit or loss before tax	(4,484)	(6,979)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 22 for details). 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 management considers the Group's exposure of the bank balances to cash flow interest rate risk is not significant as the management does not anticipate significant fluctuation in interest rate on bank balances due to their short-term maturities.

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 2021, 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 51% (2020: 40%) and 89% (2020: 61%) 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 2021

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 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 2021				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	37,394	-	-	37,394
Amounts due to related parties	37,176	-	-	37,176
	74,570	-	-	74,570
Lease liabilities	1,653	6,031	7,662	6,505
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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)	Sensitivity
	31 December 2021	31 December 2020				
Private equity investments at FVTOCI	28,616		–* 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 2.5% (2020: 3%). 2. Discount rate, taking into account of weighted average cost of capital (WACC) determined using a Capital Asset Pricing Model at 20% (2020: 12%). 3. Discount for lack of marketability at 20.6% (2020: 20.6%).	1. The higher the long term growth rate, the higher the fair value, vice versa. 2. The higher the discount rate, the lower the fair value, vice versa. 3. The higher the discount rate, the lower the fair value, vice versa.

Note:

* Represent private equity investments at FVTOCI with carrying amount of zero as at 31 December 2020.

(D) RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

	Private equity investments at FVTOCI RMB'000
At 1 January 2020, 31 December 2020 and 1 January 2021	–
Addition	29,032
Exchange realignment	(416)
At 31 December 2021	28,616

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2020	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	-
Financing cash outflows	(1,339)	-
Non-cash changes		
Interest charge	323	-
New lease arrangement	7,144	-
Early termination of a lease contract	(372)	-
Exchange difference	(11)	-
As at 31 December 2021	6,505	-

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 2021, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to approximately RMB1,813,000 (2020: RMB951,000).

During the year ended 31 December 2021, there was no forfeited contributions (2020: nil) under the defined contribution schemes and no utilisation of forfeited contributions. As at 31 December 2021, the Group had no forfeited contribution available to reduce its contribution to the retirement schemes in future years (2020: nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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	2021 RMB'000	2020 RMB'000
TVB Group	i, ii	Films, drama and non-drama production income	-	15,537
		Artiste management income	6,356	4,755
		Service income	207	42
		Rental expenses under short-term leases	(356)	(367)
		Consultancy fee	(224)	(62)
		Talent fee	(5,996)	(358)
		Promotion fee	(58)	(223)
		Service fee	(285)	(1,202)
		License income	4,178	-
Mr. Wong Cho Lam	iii	Artiste management income*	16,289	13,095
Ms. Li Yanan Leanne	iv	Artiste management income*	262	1,220

* 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 2021

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 and 上海翡翠東方傳播有限公司 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% (2020: 26.5%) 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.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	2021 RMB'000	2020 RMB'000
Short-term benefits	5,975	5,511
Post-employment benefits	70	80
	6,045	5,591

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Plant and equipment		3	7
Interests in subsidiaries		1	1
		4	8
Current assets			
Other receivables		312	127
Amounts due from subsidiaries	(b)	322,947	328,083
Bank balances and cash		8,118	10,850
		331,377	339,060
Current liabilities			
Other payables		3,994	2,636
Net current assets			
		327,383	336,424
Total assets less current liabilities			
		327,387	336,432
Capital and reserves			
Share capital		12,322	12,322
Reserves	(a)	315,065	324,110
Total equity			
		327,387	336,432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 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 (expense) income for the year	–	(21,313)	1,036	(20,277)
At 31 December 2020	750,821	(21,313)	(405,398)	324,110
At 1 January 2021	750,821	(21,313)	(405,398)	324,110
Profit for the year	–	–	557	557
Other comprehensive expense for the year				
Exchange difference arising on translation of financial statements from functional currency to presentation currency	–	(9,602)	–	(9,602)
Total comprehensive (expense) income for the year	–	(9,602)	557	(9,046)
At 31 December 2021	750,821	(30,915)	(404,841)	315,065

(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 2021

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				
				2021 %	2020 %	2021 %	2020 %	
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%	47%	47%	47%	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%	47%	47%	47%	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.

* 北京藍媒手工藝創作文化有限公司 is a limited company established in the PRC.

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 2021	31 December 2020
Investment holding	BVI	2	2
	Hong Kong	2	2
Inactive	The PRC	3	4
	BVI	1	1
	Hong Kong	9	8
		17	17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

(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	
	2021	2020	2021	2020	2021	2020
	%	%	RMB'000	RMB'000	RMB'000	RMB'000
Tailor Made and its subsidiaries	53%	53%	(927)	(4,104)	(8,006)	(7,682)
Individually immaterial subsidiaries with non-controlling interest			(16)	(49)	(555)	(555)
Total			(943)	(4,153)	(8,561)	(8,237)

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 shown in Tailor Made's consolidated financial statements prepared in accordance with HKFRSs and before intra group eliminations.

Tailor Made and its subsidiaries	2021 RMB'000	2020 RMB'000
Current assets	84,666	99,807
Non-current assets	9,057	899
Current liabilities	102,092	114,238
Non-current liabilities	5,411	–
Equity attributable to owners of the Company	(5,795)	(4,972)
Non-controlling interests	(8,006)	(7,682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

	2021 RMB'000	2020 RMB'000
Revenue	59,546	28,945
Expenses	(61,296)	(35,621)
Loss for the year	(1,750)	(6,676)
Loss attributable to owners of the Company	(823)	(2,572)
Loss attributable to the non-controlling interests	(927)	(4,104)
Loss for the year	(1,750)	(6,676)
Other comprehensive income attributable to owners of the Company	537	952
Other comprehensive income attributable to the non-controlling interests	603	1,428
Other comprehensive income for the year	1,140	2,380
Total comprehensive expense for the year	(610)	(4,296)
Net cash (outflow) inflow from operating activities	(722)	19,990
Net cash outflow from investing activities	(2,766)	(681)
Net cash (outflow) inflow from financing activities	(940)	(13,752)
Net cash (outflow) inflow	(4,428)	5,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2021, the Group entered into a new lease arrangement in respect of office premises. Right-of-use assets and lease liabilities of RMB7,144,000 were recognised at the commencement of the leases.

34. CAPITAL COMMITMENTS

The Group had the following commitments as the end of each reporting period:

	2021 RMB'000	2020 RMB'000
Capital injection commitments to a newly established associate	1,100	–

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)

	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	215,518	114,373	302,227	217,997	280,848
– Continuing	215,518	114,373	302,227	217,997	152,831
– Discontinued	–	–	–	–	128,017
Gross Profit	80,880	42,114	113,163	68,233	63,073
– Continuing	80,880	42,114	113,163	68,233	35,242
– Discontinued	–	–	–	–	27,831
Total comprehensive income (expense) for the year	5,068	(24,339)	17,269	8,526	(6,561)
– Continuing	5,068	(24,339)	17,269	7,476	(6,115)
– Discontinued	–	–	–	1,050	(446)

ASSETS AND LIABILITIES

(As at 31 December)

	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	582,753	586,933	596,983	459,677	625,316
Total liabilities	(172,331)	(181,579)	(167,290)	(47,253)	(187,514)
Net assets	410,422	405,354	429,693	412,424	437,802

焦點藝人
FOCUSED ARTISTES



邵氏製作
SHAW PRODUCTION

