

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



美亞娛樂資訊集團有限公司

MEI AH ENTERTAINMENT GROUP LTD.

(Incorporated in Bermuda with limited liability)
(Stock code: 391)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020

The directors present the condensed consolidated financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2020. The consolidated income statement and consolidated statement of comprehensive income of the Group for the six months ended 30th September 2020, and the consolidated balance sheet of the Group as at 30th September 2020, all of which are unaudited and condensed, along with selected explanatory notes, are set out as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2020

| | Note | Unaudited Six months ended 30th September | |
|--|------|---|------------------|
| | | 2020 HK\$'000 | 2019 HK\$'000 |
| Revenue | 4 | 32,456 | 57,478 |
| Cost of sales | | (12,532) | (30,802) |
| Gross profit | | 19,924 | 26,676 |
| Other income | | 14,017 | 6,290 |
| Other losses | 5 | (7,715) | (15,531) |
| Selling, distribution and marketing expenses | | (383) | (1,893) |
| Administrative expenses | | (42,634) | (48,746) |
| Operating loss | 6 | (16,791) | (33,204) |
| Finance income | | 308 | 934 |
| Finance costs | | (5,011) | (5,657) |
| Finance costs — net | 7 | (4,703) | (4,723) |
| Share of net (losses)/profits of associates | | (4,823) | 238 |
| Loss before income tax | | (26,317) | (37,689) |
| Income tax credit | 8 | 517 | 2,164 |
| Loss for the period | | (25,800) | (35,525) |
| Loss attributable to: | | | |
| Owners of the Company | | (25,261) | (35,055) |
| Non-controlling interests | | (539) | (470) |
| | | (25,800) | (35,525) |
| Loss per share attributable to owners of the Company | | | |
| Basic and diluted loss per share | 9 | (0.43 HK cents) | (0.59 HK cents) |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2020

| | Unaudited | |
|---|------------------|-----------------|
| | Six months ended | |
| | 30th September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Loss for the period | (25,800) | (35,525) |
| Other comprehensive income/(loss), net of tax | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | |
| Surplus on revaluation of buildings | 900 | 530 |
| Deferred taxation arising from revaluation surplus of buildings | (71) | (97) |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Currency translation differences | 394 | (3,272) |
| Other comprehensive income/(loss) for the period, net of tax | 1,223 | (2,839) |
| Total comprehensive loss for the period | (24,577) | (38,364) |
| Total comprehensive loss attributable to: | | |
| — Owners of the Company | (24,038) | (37,894) |
| — Non-controlling interests | (539) | (470) |
| Total comprehensive loss for the period | (24,577) | (38,364) |

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2020 and 31st March 2020

| | | Unaudited 30th September 2020 <i>HK\$'000</i> | Audited 31st March 2020 <i>HK\$'000</i> |
|--|----|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 214,449 | 220,013 |
| Investment properties | | 204,847 | 210,559 |
| Right-of-use assets | | 123,869 | 124,121 |
| Film rights, films in progress and film royalty deposits | | 177,043 | 175,516 |
| Interests in associates | | 4,744 | 9,567 |
| Interests in joint ventures | | 4 | 4 |
| Other receivables and deposits | 11 | 2,062 | 1,948 |
| | | <u>727,018</u> | <u>741,728</u> |
| Current assets | | | |
| Inventories | | 128 | 156 |
| Prepayments, deposits, trade and other receivables | 11 | 47,990 | 56,232 |
| Contract assets | | 2,191 | 3,273 |
| Deferred fulfilment costs | | 300 | 300 |
| Amounts due from associates | | 4,631 | 4,480 |
| Financial assets at fair value through profit or loss | | 3,600 | 8,907 |
| Pledged bank deposits | | 23,500 | 23,500 |
| Short-term bank deposits | | 2,107 | 1,129 |
| Cash and cash equivalents | | 22,368 | 27,204 |
| | | <u>106,815</u> | <u>125,181</u> |
| Total assets | | <u><u>833,833</u></u> | <u><u>866,909</u></u> |

| | | Unaudited | Audited |
|---|-------------|-----------------------|-----------------------|
| | | 30th | 31st |
| | | September | March |
| | | 2020 | 2020 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 15 | 118,475 | 118,475 |
| Share premium | | 407,428 | 407,428 |
| Reserves | | <u>(120,820)</u> | <u>(88,610)</u> |
| Shareholders' funds | | 405,083 | 437,293 |
| Non-controlling interests | | <u>9,435</u> | <u>1,602</u> |
| Total equity | | <u>414,518</u> | <u>438,895</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank and other borrowings | 14 | 66,347 | 64,176 |
| Lease liabilities | | 108,625 | 107,899 |
| Deferred income tax liabilities | | <u>25,500</u> | <u>25,947</u> |
| | | <u>200,472</u> | <u>198,022</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 102,407 | 123,867 |
| Contract liabilities | | 15,399 | 14,220 |
| Amounts due to associates | | 14,325 | 12,313 |
| Amount due to a director | 13 | 9,000 | — |
| Bank borrowings | 14 | 53,224 | 52,179 |
| Lease liabilities | | 13,294 | 15,791 |
| Current income tax liabilities | | <u>11,194</u> | <u>11,622</u> |
| | | <u>218,843</u> | <u>229,992</u> |
| Total liabilities | | <u>419,315</u> | <u>428,014</u> |
| Total equity and liabilities | | <u>833,833</u> | <u>866,909</u> |

SELECTED NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

Mei Ah Entertainment Group Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in television operations, film exhibition, film rights licensing and sub-licensing, theatre operations, concert performances and events organisation, mobile games applications and video online, artiste management and property investment.

The Company is a limited liability company incorporated in Bermuda and listed on the Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was approved for issue on 30th November 2020.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September 2020 has been prepared in accordance with HKAS 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2020, which have been prepared in accordance with HKFRSs.

During the period ended 30th September 2020, the Group incurred a loss before income tax of HK\$26,317,000 and as at 30th September 2020, the Group had net current liabilities of approximately HK\$112,028,000.

The directors are of the opinion that, having taken into account the anticipated cash inflows generated from the Group’s operations, as well as the possible changes in its operating performance, the timing and the possible final outcome of the litigation against the Company and the availability of existing and new bank and other facilities, the Group will have sufficient financial resources to meet its liabilities as and when they fall due in the coming twelve months from 30th September 2020. Accordingly, the directors consider that the Group will be able to continue as a going concern; and thus have prepared the consolidated financial statements on a going concern basis.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2020, as described in those annual financial statements, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31st March 2021. Details of the changes in accounting polices are set out below:–

(i) New and amended standards and interpretations adopted by the Group

| | |
|---|--|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting |
| Amendments to HKFRS 7, HKFRS 9 and HKAS 39 | Hedge Accounting |

These new and amended standards and interpretations are either not relevant to the Group or did not have any material impact on the Group's accounting policies.

- (ii) The Group has not early adopted those new standards and amendments to standards that have been issued but not yet effective for the financial year beginning 1st April 2020.

4. Segment information

An analysis of the Group's revenues and results for the period by business segments, being the primary reporting format, is as follows:

| | Unaudited | | | | | | | Group |
|--|---|-----------------------------|-------------------------------------|--|-----------------------|------------------------|----------|-----------|
| | Six months ended 30th September 2020 | | | | | | | |
| | Film exhibition and film rights licensing | Teatre and operations | Mobile games and video online | Concert performance and events organisation | Artiste management | Property investment | | |
| | Television operations HK\$'000 | sub-licensing HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| | <i>(note (a))</i> | | | | | | | |
| Segment revenue | 25,439 | 1,928 | 4,422 | 667 | — | — | — | 32,456 |
| Reportable segment profit/(loss) | 5,873 | (6,939) | (5,989) | (2,222) | — | (69) | (4,702) | (14,048) |
| Depreciation of property, plant and equipment | (142) | (72) | (5,563) | (3) | — | — | — | (5,780) |
| Depreciation of right-of-use assets | — | — | (4,000) | — | — | — | — | (4,000) |
| Fair value deficit on revaluation of investment properties | — | — | — | — | — | — | (6,444) | (6,444) |
| Amortisation for film rights | (5,410) | — | — | — | — | — | — | (5,410) |
| Finance costs | — | — | (3,976) | — | — | — | — | (3,976) |
| Additions to property, plant and equipment | 34 | — | 1,748 | — | — | — | — | 1,782 |
| Additions to film rights, films in progress and film royalty deposits | 3,395 | 3,025 | — | — | — | — | — | 6,420 |
| As at 30th September 2020 | | | | | | | | |
| Reportable segment assets | 29,840 | 202,388 | 152,157 | 1,300 | 7,563 | 14 | 211,513 | 604,775 |
| Reportable segment liabilities | (10,069) | (63,621) | (174,876) | (627) | (8,649) | — | (805) | (258,647) |

Unaudited
Six months ended 30th September 2019

| | Television operations <i>HK\$'000</i> | Film exhibition and film rights licensing and sub-licensing <i>HK\$'000</i> | Theatre operations <i>HK\$'000</i> | Mobile games applications and video online <i>HK\$'000</i> | Concert performance and events organisation <i>HK\$'000</i> | Artiste management <i>HK\$'000</i> | Sales and distribution of films and programs in audio visual product format <i>HK\$'000</i> | Property investment <i>HK\$'000</i> <i>(note (a))</i> | Group <i>HK\$'000</i> |
|---|---|--|--|--|---|--|---|--|--------------------------|
| Segment revenue | 26,223 | 3,250 | 22,004 | 1,090 | 4,142 | 769 | — | — | 57,478 |
| Reportable segment profit/(loss) | (1,709) | (9,388) | (7,494) | (2,943) | 389 | (40) | — | (9,730) | (30,915) |
| Depreciation of property, plant and equipment | (191) | (72) | (4,382) | (44) | (45) | — | — | — | (4,734) |
| Depreciation of right-of-use assets | — | — | (4,715) | — | — | — | — | — | (4,715) |
| Fair value deficit on revaluation of investment properties | — | — | — | — | — | — | — | (12,816) | (12,816) |
| Amortisation for film rights | (8,652) | (855) | — | — | — | — | — | — | (9,507) |
| Finance costs | — | — | (4,641) | — | — | — | — | — | (4,641) |
| Additions to property, plant and equipment | 37 | 26 | 364 | 10 | — | — | — | — | 437 |
| Additions to film rights, films in progress and film royalty deposits | 6,064 | 22,614 | — | — | — | — | — | — | 28,678 |
| As at 31st March 2020 | | | | | | | | | |
| Reportable segment assets | 37,214 | 198,290 | 148,719 | 1,158 | 16,679 | 42 | 27,478 | 216,284 | 645,864 |
| Reportable segment liabilities | (11,198) | (46,395) | (171,707) | (1,051) | (10,171) | (2,052) | (9,232) | (1,228) | (253,034) |

Profit or loss

| | Unaudited | |
|---|-------------------------|-----------------|
| | Six months ended | |
| | 30th September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Reportable segment loss | (14,048) | (30,915) |
| Unallocated amounts: | | |
| Unallocated other income | 9 | 1,062 |
| Unallocated other losses | (1,271) | (2,715) |
| Unallocated finance costs — net | (727) | (82) |
| Unallocated depreciation of property, plant and equipment | (3,361) | (3,200) |
| Unallocated depreciation of right-of-use assets | (394) | (396) |
| Unallocated share of (losses)/profits of associates | (4,823) | 238 |
| Unallocated corporate expenses | (1,702) | (1,681) |
| | <hr/> | <hr/> |
| Loss before income tax | (26,317) | (37,689) |
| | <hr/> <hr/> | <hr/> <hr/> |
| | Unaudited | Audited |
| | 30th | 31st |
| | September | March |
| | 2020 | 2020 |
| | HK\$'000 | HK\$'000 |
| Assets | | |
| Reportable segment assets | 604,775 | 645,864 |
| Unallocated assets: | | |
| Unallocated property, plant and equipment and right-of-use assets | 192,774 | 194,135 |
| Unallocated financial assets at fair value through profit or loss | 3,600 | 8,907 |
| Unallocated cash and cash equivalents | 138 | 213 |
| Unallocated interests in associates and joint ventures | 4,744 | 9,571 |
| Unallocated corporate assets | 27,802 | 8,219 |
| | <hr/> | <hr/> |
| Total assets | 833,833 | 866,909 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Liabilities | | |
| Reportable segment liabilities | 258,647 | 253,034 |
| Unallocated liabilities: | | |
| Unallocated bank and other borrowings | 80,748 | 80,341 |
| Unallocated amounts due to associates | 9,694 | 12,313 |
| Unallocated current income tax liabilities | 11,194 | 11,622 |
| Unallocated deferred tax liabilities | 25,500 | 25,947 |
| Unallocated corporate liabilities | 33,532 | 44,757 |
| | <hr/> | <hr/> |
| Total liabilities | 419,315 | 428,014 |
| | <hr/> <hr/> | <hr/> <hr/> |

Secondary reporting format — geographical segment

The Group's is domiciled in Hong Kong. The results of its revenue from external customers and non-current assets other than financial assets located in Hong Kong and other countries are summarized below:

| | Revenues from external customers | |
|----------------------------|---|-----------------|
| | Unaudited | |
| | Six months ended | |
| | 30th September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Hong Kong | 9,191 | 14,985 |
| People's Republic of China | 5,476 | 23,703 |
| Taiwan | 3,315 | 3,832 |
| Other countries | 14,474 | 14,958 |
| | <u>32,456</u> | <u>57,478</u> |
| | 32,456 | 57,478 |
| | Non-current assets | |
| | (other than financial assets) | |
| | Unaudited | Audited |
| | 30th | 31st |
| | September | March |
| | 2020 | 2020 |
| | HK\$'000 | HK\$'000 |
| Hong Kong | 437,687 | 455,225 |
| People's Republic of China | 243,014 | 240,650 |
| Taiwan | 25,176 | 24,614 |
| Other countries | 19,079 | 19,291 |
| | <u>724,956</u> | <u>739,780</u> |
| | 724,956 | 739,780 |

Note (a)

(a) The revenue attributable to the segment "property investment" has been included in other income.

5. Other losses

| | Unaudited Six months ended 30th September | |
|---|---|------------------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Deficit on revaluation of investment properties | (6,444) | (12,816) |
| Fair value losses on financial assets at fair value through profit or loss | <u>(1,271)</u> | <u>(2,715)</u> |
| | <u>(7,715)</u> | <u>(15,531)</u> |

6. Expenses by nature

Expenses included in cost of sales, selling and marketing expenses, administrative expenses are analysed as follows:

| | Unaudited Six months ended 30th September | |
|---|---|-----------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Amortisation of film rights | 5,410 | 9,507 |
| Cost of goods sold | 129 | 452 |
| Depreciation of property, plant and equipment | 9,141 | 7,934 |
| Depreciation of right-of-use assets | 4,394 | 5,111 |
| Employee benefit expenses | <u>18,745</u> | <u>24,715</u> |

7. Finance costs — net

| | Unaudited | |
|---|-------------------------|-----------------------|
| | Six months ended | |
| | 30th September | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Finance income | | |
| — Interest income on short-term bank deposits | 308 | 331 |
| — Interest income on loans to an associate | — | 233 |
| — Interest income from the financing components of contracts with customers | — | 370 |
| | <u>308</u> | <u>934</u> |
| Finance costs | | |
| — Interest on bank and other borrowings | (2,183) | (2,281) |
| — Interest on lease liabilities | (2,828) | (3,376) |
| | <u>(5,011)</u> | <u>(5,657)</u> |
| Finance costs — net | <u>(4,703)</u> | <u>(4,723)</u> |

8. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period.

| | Unaudited | |
|---------------------|-------------------------|---------------------|
| | Six months ended | |
| | 30th September | |
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current income tax | — | — |
| Deferred income tax | 517 | 2,164 |
| | <u>517</u> | <u>2,164</u> |
| Income tax credit | <u>517</u> | <u>2,164</u> |

9. Loss per share

(a) Basic

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of HK\$25,261,000 (2019: HK\$35,055,000) and on the weighted average of 5,923,739,000 (2019: 5,923,739,000) ordinary shares in issue during the period.

(b) Diluted

For the six months ended 30th September 2020 and 2019, the diluted loss per share was the same as the basic loss per share as there were no outstanding potential ordinary shares during the period.

10. Dividends

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2020 (2019: Nil).

11. Trade and other receivables

| | Unaudited 30th September 2020 HK\$'000 | Audited 31st March 2020 HK\$'000 |
|--|--|--|
| Trade receivables | 51,751 | 56,541 |
| Less: provision for impairment of receivables | <u>(20,868)</u> | <u>(20,868)</u> |
| Trade receivables — net | 30,883 | 35,673 |
| Prepayments | 2,301 | 5,763 |
| Other receivables and deposits | <u>16,868</u> | <u>16,744</u> |
| | 50,052 | 58,180 |
| Less: Other receivables and deposits — non current portion | <u>(2,062)</u> | <u>(1,948)</u> |
| Current portion | <u><u>47,990</u></u> | <u><u>56,232</u></u> |

The ageing analysis of trade receivables based on invoice date is as follows:

| | Unaudited 30th September 2020 HK\$'000 | Audited 31st March 2020 HK\$'000 |
|---------------------|---|---|
| Current to 3 months | 27,301 | 35,673 |
| 4 to 6 months | 389 | — |
| Over 6 months | <u>24,061</u> | <u>20,868</u> |
| | <u>51,751</u> | <u>56,541</u> |

The Group's credit terms to trade receivables generally ranges from 7 to 90 days.

12. Trade and other payables

| | Unaudited 30th September 2020 HK\$'000 | Audited 31st March 2020 HK\$'000 |
|-----------------------------|---|---|
| Trade payables | 5,593 | 7,150 |
| Other payables and accruals | <u>96,814</u> | <u>116,717</u> |
| | <u>102,407</u> | <u>123,867</u> |

The ageing analysis of trade payables is as follows:

| | Unaudited 30th September 2020 HK\$'000 | Audited 31st March 2020 HK\$'000 |
|---------------------|---|---|
| Current to 3 months | 1,199 | 640 |
| 4 to 6 months | — | — |
| Over 6 months | <u>4,394</u> | <u>6,510</u> |
| | <u>5,593</u> | <u>7,150</u> |

13. Amount due to a director

The balance is unsecured, interest-free and repayable on demand.

14. Bank and other borrowings

| | Unaudited 30th September 2020 HK\$'000 | Audited 31st March 2020 HK\$'000 |
|--|---|---|
| Bank overdrafts — secured | 21,607 | 20,595 |
| Secured bank loans — current portion | <u>31,617</u> | <u>31,584</u> |
| Bank borrowings — current portion | 53,224 | 52,179 |
| Secured bank loans — non-current portion | <u>2,524</u> | <u>3,162</u> |
| Total bank borrowings | 55,748 | 55,341 |
| Other borrowing — non-current portion | <u>63,823</u> | <u>61,014</u> |
| Total borrowings | <u><u>119,571</u></u> | <u><u>116,355</u></u> |

(a) The bank borrowings are repayable in the following periods:

| | Unaudited 30th September 2020 HK\$'000 | Audited 31st March 2020 HK\$'000 |
|----------------------|---|---|
| Within 1 year | 53,224 | 52,179 |
| Between 1 to 2 years | 1,617 | 1,581 |
| Between 2 to 5 years | <u>907</u> | <u>1,581</u> |
| | <u><u>55,748</u></u> | <u><u>55,341</u></u> |

(b) Other borrowings

As at 30th September 2020, the Group has a borrowing with outstanding principal of RMB30,000,000 (approximately HK\$34,104,000) (31st March 2020: RMB30,000,000, approximately HK\$32,715,000) and accumulated interest of RMB4,150,000 (approximately HK\$4,719,000) (31st March 2020: RMB3,025,000, approximately HK\$3,299,000). The borrowing is interest-bearing at a fixed rate of 7.5% per annum, unsecured and not repayable within 5 years from drawdown date.

The Group also has another borrowing with a principal amount of HK\$25,000,000 (31st March 2020: HK\$25,000,000) provided by an associate, the borrowing is unsecured, interest-free and is not repayable before 1st January 2022.

15. Share capital

| | Number of ordinary shares | | Ordinary shares | |
|-----------------------|--|--|--|--|
| | Unaudited 30th September 2020 '000 | Audited 31st March 2020 '000 | Unaudited 30th September 2020 HK\$'000 | Audited 31st March 2020 HK\$'000 |
| Authorised | <u>15,000,000</u> | <u>15,000,000</u> | <u>300,000</u> | <u>300,000</u> |
| Issued and fully paid | <u>5,923,739</u> | <u>5,923,739</u> | <u>118,475</u> | <u>118,475</u> |

16. Capital commitments

As at 30th September 2020, the Group had contracted commitments but not provided for in the financial information as follows:

| | Unaudited 30th September 2020 HK\$'000 | Audited 31st March 2020 HK\$'000 |
|--|--|--|
| Film rights, films in progress and film royalty deposits | 1,773 | 1,701 |
| Licenses | <u>2,099</u> | <u>1,848</u> |
| | <u>3,872</u> | <u>3,549</u> |

17. Operating lease commitments — Group company as lessor

The Group leases its investment properties to certain customers under non-cancellable operating leases. The lease terms are between 1 to 3 years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | Unaudited 30th September 2020 HK\$'000 | Audited 31st March 2020 HK\$'000 |
|---|--|--|
| Within 1 year | 3,088 | 2,557 |
| Later than 1 year and no later than 5 years | <u>1,783</u> | <u>1,000</u> |
| | <u>4,871</u> | <u>3,557</u> |

18. Related party transactions

Save as disclosed elsewhere in the condensed consolidated interim financial information, significant related party transactions, which were carried out in the ordinary course of the Group's business, are as follows:

| | Unaudited | |
|--|-------------------------|-------------------|
| | Six months ended | |
| | 30th September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Playout, post-production and origination services payable to an associated company | 2,767 | 6,192 |
| Rental income receivable from associated companies | 655 | 655 |
| Management fee income receivable from an associated company | 138 | 138 |
| Other administrative costs payable to an associated company | 368 | 368 |
| Interest income receivable from an associated company | — | 233 |
| | <u> </u> | <u> </u> |

INTERIM DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2020 (2019: Nil).

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September 2020, the Group recorded a consolidated revenue of HK\$32,456,000 (2019: HK\$57,478,000), gross profit of HK\$19,924,000 (2019: HK\$26,676,000) and a loss attributable to owners of the Company of HK\$25,261,000 (2019: HK\$35,055,000).

The contribution of revenues from the Group's television operations segment for the period remained at approximately HK\$25.4 million (2019: HK\$26.2 million). The Group has positioned as a content provider and providing media contents of movies and drama series to both traditional and new media companies. Quality media content is the key for both traditional and new media companies to compete with their rivals for viewership and revenue. The Group provided media contents of movies and drama series to viewers in Greater China and South East Asian countries during the year. In Hong Kong, we provided a Chinese movie channel through TVB's OTT platform, myTV SUPER. In Taiwan, we provided a Chinese movie/drama series channel to viewers through the telecom/OTT platform of Chung Hwa Telecom Co., Ltd. In South East Asia, we provided a channel with Chinese, Korean and Japanese movies to viewers through HBO Asia. The contents we provided are available in HBO channels, namely RED By HBO and HBO Go.

This segment contributed steady revenues to the Group despite the Group's other segments were adversely affected by the outbreak of Coronavirus Disease 2019 ("COVID-19") during the period. Looking forward, the Group will continue to explore opportunities to increase contributions from its channel operations.

The contribution of revenues from the Group's film exhibition and film rights licensing and sublicensing segment dropped from approximately HK\$3.2 million to HK\$1.9 million. Fewer released and licensing were concluded and completed during the period as original schedules of releasing new titles were delayed due to the outbreak of COVID-19. Following the resumption of theatre operations recently, a number of new titles are scheduled to be released in the forthcoming year, including titles namely "Theory of Ambitions" and "Twin Blades" and certain other titles are in the progress of shooting.

In PRC, there are strong demands on our contents. In 2018, the Group authorised iQiyi, the new media platform in the PRC, to broadcast contents from the high content library of the Group on a non-exclusive basis. In 2019, the Group also entered into agreements with Youku and Ixigua, both are new media operators in the PRC, to broadcast its film library content. These cooperations further confirm the Group's important expansion strategy, as a content provider, of entering into the new media market in the PRC. The Group will continue to seek cooperations with other major new media platforms in order to further cultivate the vast media market in the PRC.

Besides self producing and investing, the Group also makes use of its wide distribution network developed for years for its business of film distribution agency. Equipped by the Group's film library and through the Group's experience and network in program sourcing, the Group is confident that it will continue to provide high quality and customised programs to its audiences.

The Group has started to penetrate into the China theatrical market and established its first theatre in Tianjin since 2011. The Group's another theatre in Shanghai also commenced operations in 2013. In 2019, the Group's new theatre in Guangzhou and another 20% equity investment in a Beijing theatre commenced operations. The Group's theatres are all digital and equipped with 3-D movie broadcasting functions. As part of the Group's cost-retrenchment measures, the Group terminated its theatre in Shanghai during the period. Operations in other theatres, as affected by COVID-19, were suspended since February 2020 and resumed in July 2020 and accordingly the revenues contributed from this segment during the period dropped from approximately HK\$22 million to HK\$4.4 million.

During the period, following the changes in the investment market conditions, the Group's financial assets at fair value through profit or loss recorded a fair value loss of approximately HK\$1.3 million (2019: HK\$2.7 million). The investment properties portfolio of the Group contributed a deficit on revaluation of approximately HK\$6.4 million (2019: HK\$12.8 million). Such unrealized losses have no effect on the Group's cash flow.

Details and status of a litigation against the Company were disclosed in the Company's announcements dated 16th April 2020, 14th May 2020 and 5th November 2020. Further updates will be announced by the Company on the development of which in accordance with the Listing Rules as and when appropriate.

The first half of the financial year is a challenging period. COVID-19 has posted unprecedented challenges to worldwide economy, and the entertainment industry has become one of the worst hit segments. Taking into account the recent development on the possible availability of vaccine, the pandemic situation is hopefully to be recovered and the Group's operations will gradually restore to normal. Looking forward, the Group will continue to actively seek investment opportunities that are related and/or creating synergies to the Group's existing businesses and generate greatest returns for its shareholders and reward their long-term support.

Liquidity and financial resources

At 30th September 2020, the Group has available banking facilities of approximately HK\$57,641,000, of which approximately HK\$55,748,000 were utilised. Corporate guarantees executed by the Company and certain of the Group's deposits and properties with aggregate net book values of HK\$67,100,000 were pledged to banks to secure banking facilities. The Group's gearing ratio of 29.5% as at 30th September 2020 was based on the total of bank loans and other loans of HK\$119,571,000 (of which HK\$53,224,000, HK\$26,617,000 and HK\$39,730,000 are repayable within one year, in the second year and in the third to fifth year respectively) and the shareholders' funds of approximately HK\$405,083,000. The Group's bank balances and borrowings are primarily denominated in HK\$, RMB and NTD. The Group will monitor its foreign currency exposure closely. During the period ended 30th September 2020, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency.

At 30th September 2020, the Group had commitments in respect of film rights, films in progress, film royalty deposits, and licenses amounting to approximately HK\$3,872,000. The commitments will be financed by the Group's internal resources and banking and other available facilities.

Employees

At 30th September 2020, the Group employed 130 staff. Remuneration is reviewed periodically based on market trend and individual staff's performance. In addition to the basic salaries, staff benefits include discretionary bonus, medical insurance scheme and contributory provident fund. The Group also has a share option scheme whereby qualified participants may be granted options to acquire shares of the Company. Employee benefit expenses of HK\$18,745,000 were charged to the profit or loss during the period.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th September 2020, the Group has complied with the code provisions set out in the Code of Corporate Governance Practices under Appendix 14 of the Listing Rules, with the exception of the deviation in respect of the appointment term of non-executive directors.

Under code provision A4.1, non-executive directors should be appointed for specific term. There is no specific term of appointment of the non-executive directors of the Company, however, they are subject to rotation in accordance with the Bye-laws of the Company. Accordingly, the Company considers that sufficient measures have been taken to deal with the requirement in respect of the appointment terms of non-executive directors as required under the code provision.

COMPLIANCE WITH THE MODEL CODE

During the six months ended 30th September 2020, the Group has adopted the code of conduct regarding the directors' securities transactions on terms no less exacting than the required standard set out in the Model Code under Appendix 10 of the Listing Rules and having made specific enquiry of all directors, the directors of the Company have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30th September 2020.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") comprising the three independent non-executive directors of the Company. The Audit Committee has reviewed the interim results of the Group for the six months ended 30th September 2020.

On behalf of the Board

Li Kuo Hsing

Chairman

Hong Kong, 30th November 2020

As at the date of this announcement, the executive directors of the Company are Mr. Li Kuo Hsing, Mr. Li Tang Yuk and Dr. Dong Ming, the non-executive director is Mr. Alan Cole-Ford and the independent non-executive directors are Dr. Lam Lee G., Mr. Guo Yan Jun and Mr. Leung Tak Sing, Dominic.