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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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	2	153,608	120,394
Cost of sales	4	(69,581)	(104,621)
Gross profit		84,027	15,773
Other income	2	11,972	12,525
Other losses — net	3	(33,904)	(1,009)
Selling, distribution and marketing expenses	4	(11,371)	(8,257)
Administrative expenses	4	(142,728)	(86,070)
Net impairment losses on financial assets		(47)	(5,075)
Operating loss		(92,051)	(72,113)
Finance income	5	1,932	2,578
Finance costs	5	(10,656)	(2,625)
Finance costs — net		(8,724)	(47)
Share of losses of associates		(414)	(11,488)
Loss before income tax		(101,189)	(83,648)
Income tax credit/(expense)	6	2,888	(5,006)
Loss for the year		(98,301)	(88,654)
Loss attributable to:			
Owners of the Company		(97,188)	(85,428)
Non-controlling interests		(1,113)	(3,226)
		(98,301)	(88,654)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to owners of the Company			
Basic and diluted loss per share	7	(1.64)	(1.44)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year	(98,301)	(88,654)
Other comprehensive loss, net of tax:		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Surplus on revaluation of buildings	1,143	4,167
Deferred taxation arising from revaluation surplus of buildings	(243)	(716)
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>(3,602)</u>	<u>(7,129)</u>
Other comprehensive loss for the year, net of tax	<u>(2,702)</u>	<u>(3,678)</u>
Total comprehensive loss for the year	<u>(101,003)</u>	<u>(92,332)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(99,577)	(88,303)
Non-controlling interests	<u>(1,426)</u>	<u>(4,029)</u>
Total comprehensive loss for the year	<u>(101,003)</u>	<u>(92,332)</u>

CONSOLIDATED BALANCE SHEET

As at 31st March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Assets			
Non-current assets			
Leasehold land and land use rights		—	24,932
Property, plant and equipment		220,013	238,093
Investment properties		210,559	243,156
Right-of-use assets		124,121	—
Film rights, films in progress and film royalty deposits		175,516	163,126
Interests in associates		9,567	9,861
Interests in joint ventures		4	4
Other receivables and deposits	9	1,948	2,668
		<u>741,728</u>	<u>681,840</u>
Current assets			
Inventories		156	454
Prepayments, deposits, trade and other receivables	9	56,232	34,086
Contract assets		3,273	2,341
Deferred fulfilment costs		300	3,511
Amounts due from associates		4,480	—
Financial assets at fair value through profit or loss		8,907	40,345
Pledged bank deposits		23,500	23,500
Short-term bank deposits		1,129	3,793
Cash and cash equivalents		27,204	9,117
		<u>125,181</u>	<u>117,147</u>
Total assets		<u>866,909</u>	<u>798,987</u>
Equity			
Equity attributable to owners of the Company			
Share capital		118,475	118,475
Share premium		407,428	407,428
Reserves		(88,610)	10,492
		<u>437,293</u>	<u>536,395</u>
Shareholders' funds		437,293	536,395
Non-controlling interests		1,602	3,078
		<u>438,895</u>	<u>539,473</u>
Total equity		<u>438,895</u>	<u>539,473</u>

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Liabilities			
Non-current liabilities			
Bank and other borrowings	<i>11</i>	64,176	40,637
Lease liabilities		107,899	—
Deferred income tax liabilities		25,947	29,759
		<u>198,022</u>	<u>70,396</u>
Current liabilities			
Trade and other payables	<i>10</i>	123,867	97,818
Contract liabilities		14,220	13,448
Amounts due to associates		12,313	11,638
Bank borrowings	<i>11</i>	52,179	54,481
Lease liabilities		15,791	—
Obligations under finance leases	<i>11</i>	—	144
Current income tax liabilities		11,622	11,589
		<u>229,992</u>	<u>189,118</u>
Total liabilities		<u>428,014</u>	<u>259,514</u>
Total equity and liabilities		<u>866,909</u>	<u>798,987</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2020

	Attributable to owners of the Company									
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share redemption reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange difference <i>HK\$'000</i>	Buildings revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1st April 2018	118,475	407,428	12	—	189,009	(1,889)	78,135	(167,533)	4,691	628,328
Comprehensive loss										
Loss for the year	—	—	—	—	—	—	—	(85,428)	(3,226)	(88,654)
Other comprehensive loss										
Surplus on revaluation of buildings	—	—	—	—	—	—	4,167	—	—	4,167
Deferred taxation arising from revaluation surplus of buildings	—	—	—	—	—	—	(716)	—	—	(716)
Currency translation differences										
— Group	—	—	—	—	—	(6,505)	—	—	(803)	(7,308)
— Associates	—	—	—	—	—	179	—	—	—	179
Total other comprehensive loss	—	—	—	—	—	(6,326)	3,451	—	(803)	(3,678)
Total comprehensive loss	—	—	—	—	—	(6,326)	3,451	(85,428)	(4,029)	(92,332)
Acquisition of non-controlling interests	—	—	—	1,061	—	—	—	—	2,416	3,477
Total transactions with owners, recognised directly in equity	—	—	—	1,061	—	—	—	—	2,416	3,477
Balance at 31st March 2019	<u>118,475</u>	<u>407,428</u>	<u>12</u>	<u>1,061</u>	<u>189,009</u>	<u>(8,215)</u>	<u>81,586</u>	<u>(252,961)</u>	<u>3,078</u>	<u>539,473</u>

Attributable to owners of the Company

	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Share redemption reserve <i>HKS'000</i>	Other reserve <i>HKS'000</i>	Contributed surplus <i>HKS'000</i>	Exchange difference <i>HKS'000</i>	Buildings revaluation reserve <i>HKS'000</i>	Accumulated losses <i>HKS'000</i>	Non- controlling interests <i>HKS'000</i>	Total equity <i>HKS'000</i>
Balance at 1st April 2019	118,475	407,428	12	1,061	189,009	(8,215)	81,586	(252,961)	3,078	539,473
Comprehensive loss										
Loss for the year	—	—	—	—	—	—	—	(97,188)	(1,113)	(98,301)
Other comprehensive loss										
Surplus on revaluation of buildings	—	—	—	—	—	—	1,143	—	—	1,143
Deferred taxation arising from revaluation surplus of buildings	—	—	—	—	—	—	(243)	—	—	(243)
Currency translation differences										
— Group	—	—	—	—	—	(2,973)	—	—	(313)	(3,286)
— Associates	—	—	—	—	—	(316)	—	—	—	(316)
Total other comprehensive loss	—	—	—	—	—	(3,289)	900	—	(313)	(2,702)
Total comprehensive loss	—	—	—	—	—	(3,289)	900	(97,188)	(1,426)	(101,003)
Derecognition of non-controlling interests upon disposal of a subsidiary	—	—	—	475	—	—	—	—	299	774
Dividend paid to a non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	(349)	(349)
Total transactions with owners, recognised directly in equity	—	—	—	475	—	—	—	—	(50)	425
Balance at 31st March 2020	118,475	407,428	12	1,536	189,009	(11,504)	82,486	(350,149)	1,602	438,895

Notes:

1. Basis of preparation

The consolidated financial statements of Mei Ah Entertainment Group Limited (the “Company”) and its subsidiaries (together, the “Group”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of buildings, investment properties, and financial assets at fair value through profit or loss (“FVPL”), which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

1.1 Going concern

As at 31st March 2020, the Group’s current liabilities exceeded its current assets by HK\$104,811,000 and the Group incurred a net loss of HK\$98,301,000 for the year then ended.

The below events, among others, have been adversely affecting the Group’s financial position and performance:

- (i) Since early 2020, the Group’s business operations in the media and entertainment industry have been affected by the outbreak of Coronavirus Disease 2019 (“COVID-19”), which resulted in significant decrease in commercial activities, lockdown and social distancing measures imposed by various cities in which the Group operates. The outbreak of COVID-19 has led to temporary suspension of the Group’s cinema operation and delays in the planned film release schedule. As a result, the Group’s business operations have been, and will be, at least for a short period after 31st March 2020, adversely affected.
- (ii) As disclosed in Note 12 to this announcement, the Group is under an ongoing litigation in respect of a civil proceeding against the Company and a former director of the Company (the “Proceeding”). On 16th April 2020, the Company received a judgment for the Proceeding from the High Court of Hong Kong (the “Judgment”) awarding to the plaintiff (the “Plaintiff”) a sum of HK\$20,251,000 (the “Sum”), which is jointly and severally liable by the Company and the former director. The Group has recognised the Sum as administrative expenses in the consolidated income statement for the year ended 31st March 2020.

On 13th May 2020, the Plaintiff has lodged a notice of appeal to the Court of Appeal of the High Court of Hong Kong (the “Court of Appeal”), seeking for an order to substitute the damages awarded under the Judgment by up to approximately HK\$76,723,000 (the “Appeal”). On 14th May 2020, the Company lodged a cross-appeal to the Court of Appeal, seeking for an order that the Judgment, insofar as it is against the Company, be set aside and all of the claims against the Company under the Proceeding be dismissed (the “Cross-Appeal”). The court is yet to set a date for hearing these appeals.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity requirements and operating performance of the Group and its available sources of financing to assess whether the Group would have sufficient financial resources to fulfill its financial obligations to continue as a going concern. The Group has taken plans and measures to deal with the potential impact of the COVID-19 pandemic, to improve its financial position and to alleviate its liquidity pressure, which include but not limited to the following:

- (i) With the recent signs that the COVID-19 has been easing in Mainland China and the related control measures imposed by governments have been gradually loosening, the directors of the Company are closely monitoring the development and preparing to resume its cinema operations in Mainland China as soon as permissible by the government. The directors of the Company expect that with the resumption of the cinema operations, the Group would be able to release its films and receive proceeds from box office and licensing arrangements during the financial year ending 31st March 2021.
- (ii) In respect of the Proceeding, the Group has paid HK\$20,251,000 as security money to the court on 4th June 2020. The directors of the Company have sought the advice from their legal advisors and considered the Group has strong grounds to a successful appeal against the Judgment. Taking into account the expected time required to go through the necessary legal procedures in respect of the Appeal and the Cross-Appeal, the directors of the Company believe that it is unlikely that the Group would be required to pay any further sum within the twelve months from 31st March 2020.
- (iii) In respect of the Group's existing bank facilities of HK\$58,246,000 at 31st March 2020, the directors of the Company considered that such facilities will continue to be available given its good track record and relationships with the banks. In addition, the Group is in the process of applying for additional bank facilities by pledging the Group's portfolio of investment properties located in Hong Kong.

Notwithstanding the above, whether management can achieve its plans and measures as described above, which incorporate assumptions about future events and conditions is subject to inherent uncertainties. In particular, whether the Group will be able to generate adequate operating cash flows to continue as a going concern would depend upon when the relevant restrictions over the opening of cinemas in Mainland China will be uplifted such that the Group can resume the cinema operations and release its films as planned. The directors of the Company have reviewed the Group's cash flow projections, which cover a period of not less than twelve months from 31st March 2020. 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 outcome of the Appeal and the Cross-Appeal, the availability of existing and new bank facilities, the Group will have sufficient financial resources to meet its liabilities as and when they fall due in the coming twelve months from 31st March 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.

1.2 New and amended standards and interpretation

(a) New and amended standards and interpretation adopted by the Group

The Group has applied the following new and amended standards and interpretation for the first time for their annual reporting period commencing 1st April 2019:

- Amendments to HKFRS 9, “Prepayment Features with Negative Compensation”
- HKFRS 16, “Leases”
- Amendments to HKAS 19, “Plan Amendment, Curtailment or Settlement”
- Amendments to HKAS 28, “Long-term Interests in Associates and Joint Ventures”
- Annual Improvements 2015 – 2017 Cycle — Amendments to HKFRS 3, “Business Combinations”, HKFRS 11, “Joint Arrangements”, HKAS 12, “Income Taxes” and HKAS 23, “Borrowing Costs”
- HK (IFRIC) – Int 23, “Uncertainty over Income Tax Treatments”

The Group changed its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1st April 2019 which is disclosed in Note 1.3. The adoption of other amendments and interpretation listed above did not have a material impact on the Group’s accounting policies and consolidated financial statements.

(b) New standards and amendments to standards that have been issued but not yet effective and have not been early adopted by the Group

Certain new and amended accounting standards have been published that are not mandatory for 31st March 2020 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Definition of a Business	1st January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<i>Note</i>
HKFRS 17	Insurance Contracts	1st January 2021
Amendments to HKAS 1 and HKAS 8	Definition of Material	1st January 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform	1st January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1st January 2020

Note: To be announced by HKICPA

1.3 *Changes in accounting policies*

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s consolidated financial statements.

As indicated in Note 1.2 above, the Group has adopted HKFRS 16 “Leases” retrospectively from 1st April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1st April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1st April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1st April 2019 was approximately 5%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 “Determining whether an Arrangement contains a Lease”.

(ii) *Measurement of lease liabilities*

	2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31st March 2019	162,093
<i>Add:</i> finance lease liabilities recognised as at 31st March 2019	144
<i>Less:</i> discounted using the lessee's incremental borrowing rate at the date of initial application	(21,189)
<i>Less:</i> short term leases recognised on a straight-line basis as expense	(206)
<i>Less:</i> Adjustments as a result of a different treatment of termination option	<u>(10,352)</u>
Lease liabilities recognised as at 1st April 2019	<u><u>130,490</u></u>
Of which are:	
Current lease liabilities	6,967
Non-current lease liabilities	<u>123,523</u>
	<u><u>130,490</u></u>

(iii) *Measurement of right-of-use assets*

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31st March 2019.

	1st April 2019 <i>HK\$'000</i>
Leasehold land and land use rights	24,932
Properties	<u>117,661</u>
	<u><u>142,593</u></u>

(iv) *Impact on consolidated financial statements*

Consolidated balance sheet (extract)

	As at 31st March 2019 As previously stated HK\$'000	Effect on adoption of HKFRS 16 HK\$'000	As at 1st April 2019 As restated HK\$'000
Assets			
Non-current assets			
Leasehold land and land use rights	24,932	(24,932)	—
Right-of-use assets	—	142,593	142,593
	<u>24,932</u>	<u>(24,932)</u>	<u>142,593</u>
Liabilities			
Current liabilities			
Lease liabilities	—	(6,967)	(6,967)
Other payables	(12,685)	12,685	—
Obligations under finance leases	(144)	144	—
	<u>(12,685)</u>	<u>12,685</u>	<u>(6,967)</u>
Non-current liabilities			
Lease liabilities	—	(123,523)	(123,523)
	<u>—</u>	<u>(123,523)</u>	<u>(123,523)</u>

(v) *Lessor accounting*

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2. Revenue and segment information

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Television operations	55,384	49,160
Film exhibition and film rights licensing and sub-licensing	53,184	23,856
Theatre operations	33,709	23,849
Concert performance and events organisation	6,939	13,247
Applications and video online	3,764	8,225
Artiste management	628	2,027
Sales and distribution of films and programs in audio visual product format	—	30
	<u>153,608</u>	<u>120,394</u>
Other income		
Rental income from investment properties	7,458	7,180
Management fee income	336	245
Dividend income	1,068	2,486
Others	3,110	2,614
	<u>11,972</u>	<u>12,525</u>
	<u><u>165,580</u></u>	<u><u>132,919</u></u>

The chief operating decision makers have been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance, allocate resources and make strategic decisions. The Executive Directors have determined the operating segments based on the Group's internal reporting.

For the years ended 31st March 2020 and 2019, the Group operates in eight business segments:

- Television operations
- Film exhibition and film rights licensing and sub-licensing
- Theatre operations
- Concert performance and events organisation
- Applications and video online
- Artiste management
- Sales and distribution of films and programs in audio visual product format
- Property investment

The segment information for the year ended 31st March 2020 by each principal activity is as follows:

	Television operations HK\$'000	Film exhibition and film rights licensing and sub-licensing HK\$'000	Theatre operations HK\$'000	Concert performance and events organisation HK\$'000	Applications and video online HK\$'000	Artiste management HK\$'000	Sales and distribution of films and programs in audio visual product format HK\$'000	Property investment HK\$'000	Group HK\$'000
Segment revenue	55,384	53,184	33,709	6,939	3,764	628	—	—	153,608
Reportable segment profit/(loss)	8,857	10,381	(21,045)	896	(2,768)	(455)	(385)	(27,251)	(31,770)
Reportable segment assets	37,214	198,290	148,719	16,679	1,158	42	27,478	216,284	645,864
Reportable segment liabilities	(11,198)	(46,395)	(171,707)	(10,171)	(1,051)	(2,052)	(9,232)	(1,228)	(253,034)
Depreciation of property, plant and equipment	(327)	(620)	(9,375)	(45)	(46)	(1)	(396)	—	(10,810)
Depreciation of right-of- use assets	—	—	(10,186)	—	—	—	—	—	(10,186)
Fair value losses on reevaluation of investment properties	—	—	—	—	—	—	—	(30,115)	(30,115)
Amortisation of film rights	(14,754)	(7,189)	—	—	—	—	—	—	(21,943)
Provision for impairment of films in progress	—	(8,781)	—	—	—	—	—	—	(8,781)
Share of loss of an associate	—	—	(447)	—	—	—	—	—	(447)
Impairment losses on amounts due from associates	—	—	—	—	(94)	—	—	—	(94)
Impairment loss on amount due from a joint venture	—	—	—	—	(240)	—	—	—	(240)
Impairment losses on other receivables	—	(6)	—	—	—	—	—	—	(6)
Reversal of previous impairment losses on other receivables	—	—	—	—	293	—	—	—	293
Finance costs	—	—	(9,413)	—	—	—	—	—	(9,413)
Additions to property, plant and equipment	—	25	1,551	—	8	—	5	25	1,614
Additions to film rights, films in progress and film royalty deposits	13,011	31,902	—	—	—	—	—	—	44,913
Disaggregation of revenue from contracts with customers									
Timing of revenue recognition:									
At a point in time	—	53,184	33,709	6,939	3,764	628	—	—	98,224
Over time	55,384	—	—	—	—	—	—	—	55,384
	55,384	53,184	33,709	6,939	3,764	628	—	—	153,608

The segment information for the year ended 31st March 2019 by each principal activity is as follows:

	Television operations HK\$'000	Film exhibition and film rights licensing and sub-licensing HK\$'000	Theatre operations HK\$'000	Concert performance and events organisation HK\$'000	Applications and video online HK\$'000	Artiste management HK\$'000	Sales and distribution of films and programs in audio visual product format HK\$'000	Property investment HK\$'000	Group HK\$'000
Segment revenue	49,160	23,856	23,849	13,247	8,225	2,027	30	—	120,394
Reportable segment (loss)/profit	(7,826)	(32,057)	(9,258)	(6,008)	(15,584)	1,223	(354)	7,236	(62,628)
Reportable segment assets	36,877	159,707	65,298	4,419	1,356	1,598	29,275	248,444	546,974
Reportable segment liabilities	(10,973)	(51,863)	(71,668)	(2,716)	(834)	(1,800)	(1,711)	(2,818)	(144,383)
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	(374)	(634)	(3,087)	(308)	(96)	(1)	(366)	—	(4,866)
Fair value gains on revaluation of investment properties	—	—	—	—	—	—	—	4,076	4,076
Amortisation of film rights	(15,610)	(7,624)	—	—	—	—	—	—	(23,234)
Provision for impairment of film rights, films in progress and film royalty deposits	—	(29,400)	—	—	—	—	—	—	(29,400)
Provision for an onerous contract	—	—	(2,284)	—	—	—	—	—	(2,284)
Share of loss of an associate	—	—	—	—	(10,492)	—	—	—	(10,492)
Impairment loss on amount due from an associate	—	—	—	—	(117)	—	—	—	(117)
Impairment loss on amount due from a joint venture	—	—	—	—	(550)	—	—	—	(550)
Impairment losses on other receivables	—	(460)	—	—	(1,308)	—	—	—	(1,768)
Reversal of previous impairment losses on other receivables	—	—	—	—	360	—	—	—	360
Finance costs	—	—	(905)	—	—	—	—	—	(905)
Additions to property, plant and equipment	14	—	59,392	—	—	—	789	262	60,457
Additions to film rights, films in progress and film royalty deposits	12,986	28,300	—	—	—	—	—	—	41,286
Disaggregation of revenue from contracts with customers									
Timing of revenue recognition:									
At a point in time	—	23,856	23,849	13,247	8,225	2,027	30	—	71,234
Over time	49,160	—	—	—	—	—	—	—	49,160
	49,160	23,856	23,849	13,247	8,225	2,027	30	—	120,394

- (a) The accounting policies of the reportable segments are the same as the Group's accounting policies. Performance is measured based on segment profit/(loss) that is used by the chief operating decision makers for the purposes of resources allocation and assessment of segment performance. Income tax expense is not allocated to reportable segments. Information provided to the Executive Directors of the Group is measured in a manner consistent with that of the consolidated financial statements.

The revenue, profit or loss, assets and liabilities of the Group are allocated based on the operations of the segments.

Reportable segment profit/(loss) is profit/(loss) before income tax, excluding unallocated share of profit/(loss) of an associate, other income, other losses — net, finance costs, impairment losses on other receivables, depreciation of property, plant and equipment and right-of-use assets, and amortisation of leasehold land and land use rights that are used by all segments and other corporate expenses (mainly including staff costs and other general administrative expenses) of the head office.

Reportable segment assets exclude unallocated interests in associates and joint ventures, financial assets at FVPL, cash and cash equivalents and other corporate assets (mainly including property, plant and equipment and right-of-use assets that are used by all segments).

Reportable segment liabilities exclude unallocated bank borrowings, amounts due to associates, current income tax liabilities, deferred tax liabilities and other corporate liabilities (mainly including accrued charges of the head office).

- (b) The revenue of HK\$7,794,000 (2019: HK\$7,425,000) attributable to the segment “property investment” has been included in other income.
- (c) Reconciliation of the reportable segment profit or loss, assets and liabilities

Reportable segment profit or loss, assets and liabilities are reconciled to loss before income tax and total assets and total liabilities of the Group as follows:

Profit or loss	2020	2019
	HK\$'000	HK\$'000
Reportable segment loss	(31,770)	(62,628)
Unallocated amounts:		
Unallocated other income	1,438	4,232
Unallocated other losses — net	(3,789)	(5,085)
Unallocated finance costs	(1,243)	(1,720)
Unallocated impairment losses on other receivables	—	(3,000)
Unallocated depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	(6,235)	(6,790)
Unallocated depreciation of right-of-use assets	(788)	—
Unallocated share of profit/(loss) of an associate	33	(996)
Unallocated corporate expenses	(58,835)	(7,661)
Loss before income tax per consolidated income statement	<u>(101,189)</u>	<u>(83,648)</u>

Assets	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Reportable segment assets	645,864	546,974
Unallocated assets:		
Unallocated property, plant and equipment and right-of-use assets (2019: leasehold land and land use rights)	194,135	199,925
Unallocated financial assets at FVPL	8,907	40,345
Unallocated cash and cash equivalents	213	55
Unallocated interests in associates and joint ventures	9,571	9,865
Unallocated corporate assets	8,219	1,823
	<hr/>	<hr/>
Total assets per consolidated balance sheet	866,909	798,987
	<hr/> <hr/>	<hr/> <hr/>

Liabilities	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Reportable segment liabilities	253,034	144,383
Unallocated liabilities:		
Unallocated bank borrowings	80,341	59,191
Unallocated amounts due to associates	12,313	11,638
Unallocated current income tax liabilities	11,622	11,589
Unallocated deferred tax liabilities	25,947	29,759
Unallocated corporate liabilities	44,757	2,954
	<hr/>	<hr/>
Total liabilities per consolidated balance sheet	428,014	259,514
	<hr/> <hr/>	<hr/> <hr/>

The Group is principally domiciled in Hong Kong, Mainland China and Taiwan. The revenues from external customers and non-current assets other than financial instruments located in Hong Kong and other countries are analysed below:

	Revenue from external customers	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	28,449	45,293
Mainland China	84,509	38,954
Taiwan	9,354	9,284
Other countries	31,296	26,863
	<hr/>	<hr/>
	153,608	120,394
	<hr/> <hr/>	<hr/> <hr/>

During the year ended 31st March 2020, revenues of HK\$31,296,000 (2019: HK\$26,304,000) were derived from one single external customer attributable to the television operations.

**Non-current assets
(other than financial assets)**

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	455,225	456,233
Mainland China	240,650	174,792
Taiwan	24,614	25,960
Other countries	19,291	22,187
	739,780	679,172
	739,780	679,172

3. Other losses – net

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value (losses)/gains on revaluation of investment properties	(30,115)	4,076
Fair value losses on financial assets at FVPL	(4,087)	(5,075)
Loss on disposal of property, plant and equipment — net	(19)	(10)
Gain on disposal of a subsidiary	317	—
	(33,904)	(1,009)
	(33,904)	(1,009)

4. Expenses by nature

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Amortisation of film rights	21,943	23,234
Amortisation of leasehold land and land use rights	—	788
Depreciation		
— Owned property, plant and equipment	17,045	10,690
— Leased property, plant and equipment	—	178
— Right-of-use assets	10,974	—
Provision for impairment of film rights, films in progress and film royalty deposits	8,781	29,400
Provision for an onerous contract	—	2,284
Auditor's remuneration		
— Audit services	1,665	1,685
— Non-audit services	—	5
Direct operating expenses arising from investment properties that generate rental income	1,628	1,510
Employee benefit expenses (including directors' emoluments)	49,451	47,506
Exchange (gains)/losses	(1,050)	2,670
Marketing and promotion expenses	5,010	4,618
Operating lease rental in respect of buildings	92	8,514
Production, playout and origination costs	10,384	10,877
Claims, legal and professional fees	54,937	4,737
Cost of inventories	577	612
Concert costs	5,172	13,936
Video online costs	174	8,743
	<u> </u>	<u> </u>

5. Finance costs – net

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance income		
— Interest income on short-term bank deposits	741	769
— Interest income on loans to a third party and an associate	466	510
— Interest income from the financing components of contracts with customers	725	1,299
	<u> </u>	<u> </u>
	1,932	2,578
Finance costs		
— Interest on bank and other borrowings	(4,542)	(2,616)
— Interest element of finance leases	—	(9)
— Interest element of lease liabilities	(6,114)	—
	<u> </u>	<u> </u>
	(10,656)	(2,625)
Finance costs — net	<u> </u>	<u> </u>
	(8,724)	(47)

6. Income tax (credit)/expense

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profit in Hong Kong during the years ended 31st March 2020 and 2019. Taxation on other jurisdictions' profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the locations in which the Group operates.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax		
— Overseas corporate income tax	716	554
Deferred income tax	<u>(3,604)</u>	<u>4,452</u>
Income tax (credit)/expense	<u>(2,888)</u>	<u>5,006</u>

7. Loss per share

(a) *Basic*

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of HK\$97,188,000 (2019: HK\$85,428,000) by the weighted average number of ordinary shares of 5,923,739,000 (2019: 5,923,739,000) in issue during the year.

(b) *Diluted*

Diluted loss per share for the years ended 31st March 2019 and 2020 are the same as the basic loss per share as there were no dilutive potential ordinary shares.

8. Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31st March 2020 (2019: nil).

9. Prepayments, deposits, trade and other receivables

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	56,541	47,072
<i>Less: impairment losses on trade receivables</i>	<u>(20,868)</u>	<u>(20,868)</u>
Trade receivables — net	35,673	26,204
Prepayments	5,763	2,371
Other receivables and deposits	<u>16,744</u>	<u>8,179</u>
	58,180	36,754
<i>Less: other receivables and deposits — non-current portion</i>	<u>(1,948)</u>	<u>(2,668)</u>
Current portion	<u><u>56,232</u></u>	<u><u>34,086</u></u>

As at 31st March 2020 and 2019, the carrying amounts of deposits, trade and other receivables approximate their fair values.

At 31st March 2020 and 2019, all other receivables are unsecured and interest-free.

The credit terms to trade receivables generally range from 7 to 90 days (2019: 7 to 90 days).

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current to 3 months	35,673	26,029
4 to 6 months	—	175
Over 6 months	<u>20,868</u>	<u>20,868</u>
	<u><u>56,541</u></u>	<u><u>47,072</u></u>

The analysis on the expected recovery date of trade receivables is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Not more than twelve months after the reporting period	28,224	13,596
More than twelve months after the reporting period	<u>7,449</u>	<u>12,608</u>
	<u><u>35,673</u></u>	<u><u>26,204</u></u>

As at 31st March 2020, a trade receivable of HK\$12,978,000 (2019: HK\$21,678,000) arising from a film rights licensing contract comprises a significant financing component at 6% per annum (2019: 6% per annum).

At 31st March 2020, trade receivables of HK\$20,868,000 (2019: HK\$20,868,000) were impaired and fully provided for. The individually impaired receivables mainly relate to a long-outstanding customer, which is in unexpectedly difficult financial situation.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Dollar ("HK\$")	12,994	4,664
Reminbi ("RMB")	43,159	30,364
New Taiwan Dollar ("NTD")	2,027	1,726
	58,180	36,754

Movements on the Group's impairment losses on trade receivables are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1st April	20,868	20,868
Write-off of trade receivables	—	—
At 31st March	20,868	20,868

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

10. Trade and other payables

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	7,150	10,259
Other payables and accruals	116,717	87,559
	123,867	97,818

The ageing analysis of trade payables by invoice date is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current to 3 months	640	6,858
4 to 6 months	—	—
Over 6 months	<u>6,510</u>	<u>3,401</u>
	<u>7,150</u>	<u>10,259</u>

The carrying amounts of the Group's trade and other payables approximate their fair values, and are denominated in the following currencies:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
HK\$	72,488	55,166
RMB	50,582	41,994
NTD	<u>797</u>	<u>658</u>
	<u>123,867</u>	<u>97,818</u>

11. Bank and other borrowings and obligations under finance leases

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank overdrafts, secured	20,595	22,963
Secured bank loans — current portion	<u>31,584</u>	<u>31,518</u>
Bank borrowings — current portion	52,179	54,481
Secured bank loans — non-current portion	<u>3,162</u>	<u>4,710</u>
Total bank borrowings <i>(Note (a))</i>	55,341	59,191
Other borrowing — non-current portion <i>(Note (b))</i>	<u>61,014</u>	<u>35,927</u>
Total borrowings	<u>116,355</u>	<u>95,118</u>
Obligations under finance leases <i>(Note (c))</i>		
— Current portion	<u>—</u>	<u>144</u>
	<u>—</u>	<u>144</u>

(a) Bank borrowings

The Group's bank borrowings are repayable as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 year and repayable on demand	52,179	54,481
Between 1 to 2 years	1,581	1,542
Between 2 to 5 years	1,581	3,168
Later than 5 years	—	—
	<u>55,341</u>	<u>59,191</u>

At 31st March 2020, available facilities amounting to HK\$58,246,000 (2019: HK\$69,727,000) granted by banks to the Group are secured by the following:

- (i) legal charges over certain of the Group's freehold land and certain buildings with an aggregate carrying value of HK\$21,800,000 (2019: HK\$21,726,000) and certain of the Group's investment properties with an aggregate carrying value of HK\$ 44,500,000 (2019: HK\$52,600,000);
- (ii) corporate guarantees executed by the Company;
- (iii) pledged bank deposits of HK\$23,500,000 (2019: HK\$23,500,000) of the Group; and
- (iv) financial assets at FVPL of HK\$24,936,000 of the Group were pledged as security as at 31st March 2019. No financial assets at FVPL were pledged as security as at 31st March 2020.

At 31st March 2020, the Group's bank borrowings bear floating interest rates of Hong Kong Inter-bank Offered Rate ("HIBOR") plus 0.25% p.a. to 2.4% p.a. (2019: 0.25% p.a. to 2.5% p.a.) and fixed interest rate of 1.45% for NTD-denominated loans (2019: 1.74%). The weighted average effective interest rate per annum of the Group's bank borrowings as at 31st March 2020 is 3.8% (2019: 3.9%).

The fair values of the borrowings approximate their carrying amounts at 31st March 2020 and 2019.

(b) Other borrowing

As at 31st March 2020, the Group had a borrowing with outstanding principal of RMB30,000,000 (approximately HK\$32,715,000) (2019: RMB30,000,000; approximately HK\$35,022,000) and interest of RMB3,025,000 (approximately HK\$3,299,000) (2019: RMB775,000; approximately HK\$905,000). The borrowing is interest-bearing at a fixed rate of 7.5% per annum and unsecured. Principal and interest are not repayable within 5 years from drawdown date.

The Group also had another borrowing with a principal of HK\$25,000,000 (2019: HK\$ Nil) which was provided by an associate. The borrowing is unsecured, interest-free and is not repayable before 1st January 2022.

(c) *Obligations under finance leases*

The rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group. Finance lease liabilities were included in borrowings until 31st March 2019, but were reclassified to lease liabilities on 1st April 2019 in the process of adopting the new leasing standard. There were no obligation under finance leases as at 31st March 2020.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gross finance lease liabilities minimum lease payments:		
— No later than 1 year	—	146
— Later than 1 year and no later than 5 years	—	—
	<hr/>	<hr/>
Minimum lease payments	—	146
Future finance charges on finance leases	—	(2)
	<hr/>	<hr/>
Recognised as a liability	—	144
	<hr/>	<hr/>
Lease incentives on non-cancellable operating leases included in lease liabilities	—	—
	<hr/>	<hr/>
Total lease liabilities	—	—
	<hr/> <hr/>	<hr/> <hr/>

The present value of finance lease liabilities is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
No later than 1 year	—	144
Later than 1 year and no later than 5 years	—	—
	<hr/>	<hr/>
	—	144
	<hr/> <hr/>	<hr/> <hr/>

12. Contingencies

In April 2011, the Company received a writ of summons endorsed with a statement of claim, which was amended in its entirety in October 2012, making claims in the Court of First Instance (the “Action”) against the Company and a former director (the “Former Director”).

Subsequently, and pursuant to directions from the Court, the Action was ordered to be consolidated, together with claims made against other companies within the Group in separate actions (the “Other Actions”), into a consolidated statement of claim (the “Consolidated Statement of Claim”) filed in March 2017.

According to the Consolidated Statement of Claim, the claims made against the Company allege that the Company and the Former Director, in their capacities as de jure/de facto/shadow directors of an associated company of the Group (the “Associated Company”) which went into liquidation in 2003, had allegedly, inter alia, breached their fiduciary duties owed to the Associated Company, and accordingly claimed for damages in this connection.

On 16th April 2020, after a trial ended in March 2020, the Court delivered its judgment (the “Judgment”) in the proceedings relating to the claims in the Consolidated Statement of Claim (the “Proceedings”). According to the Judgment, the Court found, inter alia, that the Company was a shadow director, and was liable together with the Former Director. The Court awarded damages in the sum of approximately HK\$20,251,000 jointly and severally against the Company and the Former Director. A further hearing to deal with questions of interest and costs relevant to the Judgment is scheduled in October 2020.

The Group has set aside a provision of HK\$20,251,000 in the consolidated financial statements for the year ended 31st March 2020 based on the Judgment. Another provision based on management’s best estimate on the potential interest and costs arising from the Proceeding was also made during the year ended 31st March 2020.

On 13th May 2020, the Company was informed that the plaintiff in the Proceeding (the “Plaintiff”) has lodged a notice of appeal with the Court of Appeal (the “Court of Appeal”), seeking, inter alia, an order to substitute the damages awarded to the Plaintiff under the Judgment by an amount up to approximately HK\$76,723,000 for which the Company and the Former Director should be jointly and severally liable.

On 14th May 2020, the Company also lodged a Cross-appeal to the Court of Appeal, seeking, inter alia, an order that the Judgment against the Company be set aside and all the claims against the Company under the Proceeding be dismissed with costs to the Company.

A hearing date for the Appeal and Cross-appeal lodged by the Plaintiff and the Company respectively has not yet been fixed. The directors of the Company, after taking into account the advice from the Company’s legal advisors, consider the Group has strong grounds to successfully appeal against the Judgment. As a result, no further provision has been made as at 31st March 2020 in relation to the Appeal.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

RESULTS AND DIVIDENDS

The loss attributable to owners of the Company for the year is HK\$97,188,000 (2019: HK\$85,428,000) and the directors do not recommend the payment of a dividend (2019: Nil).

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31st March 2020, the Group recorded a consolidated revenue of HK\$153,608,000 (2019: HK\$120,394,000), gross profit of HK\$84,027,000 (2019: HK\$15,773,000) and a loss attributable to owners of the Company of HK\$97,188,000 (2019: HK\$85,428,000). The improvement in gross margin was mainly attributable to the increase in revenue from licensing and television operations segment and also the decrease in provision for impairment of film rights, films in progress and film royalty deposits during the year.

The contribution of revenues from the Group's television operations segment for the year increased from approximately HK\$49.2 million to HK\$55.4 million. The increase is mainly due to the full year contribution of channel "RED by HBO" in Singapore which commenced in December 2018. In the last couple of years, the Group adopted the right business strategy of positioning 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 and hundreds of movies to viewers 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.

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 sub-licensing segment increased from approximately HK\$23.9 million to HK\$53.2 million. New title namely "Guilt By Design" was released during the year and received encouraging responses and the Group concluded licensing agreements with more media operators during the year.

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. During the year, 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.

A number of new titles, casted by popular artistes, are pending for release, including titles namely "Theory of Ambitions" and "Twin Blades". Certain other titles are in the progress of shooting and expected to be released in the forthcoming year. These titles received encouraging responses from the market during their pre-sale.

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.

During the year, the Group made provision for impairment in respect of its film rights, films in progress and film royalty deposits amounting to HK\$8.8 million (2019: HK\$29.4 million), after taking into account the current market conditions and estimated future recoverable amounts in respect of the relevant titles.

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 has also commenced operations since 2013. In 2019, the Group's new theatre in Guangzhou has commenced operations. The Group's theatres are all digital and equipped with 3-D movie broadcasting functions. The theatres contributed revenues of approximately HK\$33.7 million (2019: HK\$23.8 million) in aggregate during the year. During the year, the Group's another 20% equity investment in a Beijing theatre also commenced operations.

During the year, the Group's operating segment of concert performance and events organisation contributed revenues of approximately HK\$6.9 million (2019: HK\$13.2 million) as less events were held during the year. The Group will continue to invest in popular concerts and is of the view that this segment will continue to bring contribution to the Group.

The outbreak of Coronavirus Disease 2019 ("COVID-19") has affected the Group's operations in the segments of film exhibition, theatre operations and concert performance. Theatres operations and concert performances has been suspended and the original schedule of releasing new titles has been delayed. The Group's revenues from the above segments in the first half of 2020 has accordingly been adversely affected.

Recently the Group implemented certain cost-retrenchment measures such as terminating the operations of Shanghai cinemas as well as other loss making operations. With the recent signs that the COVID-19 has been easing and the related control measures imposed by governments have been gradually loosening, we expect that the Group's operations will gradually recover soon.

In respect of the applications and video online segment which generated HK\$3.8 million (2019: HK\$8.2 million), the Group has launched its video website and mobile apps, which include contents of films, drama and entertainment news, and also invested in a joint venture company of online advertising platforms. Looking forward, the Group considers the new media investment will fit the expected market demand.

The Group's artiste management business contributed revenue of approximately HK\$0.6 million (2019: HK\$2.0 million) during the year. It becomes a base to build our talent management business and the Group will explore to seek other potential artistes and performers in order to build up its talent pool.

The Group's channel management operations are conducted through its associated company, namely IST Company Limited ("IST"). Other than providing channel management services to the Group, IST also provides the same playout service plus post-production, HD-film restoration and internetworking solution to a number of other media operators.

During the year, 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\$4.1 million (2019: HK\$5.1 million). The investment properties portfolio of the Group contributed a deficit on revaluation of approximately HK\$30.1 million (2019: surplus of HK\$4.1 million). Such unrealised losses/gains 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 and 14th May 2020 and Note 12 of this results announcement. The provision made with respect to the litigation contributed led to an increase in the balance of other payables and accruals as at 31st March 2020.

Looking forward, the Group will explore other opportunities to generate greatest returns for its shareholders and reward their long-term support.

Liquidity and financial resources

At 31st March 2020, the Group has available banking facilities of approximately HK\$58.2 million, of which approximately HK\$55.3 million were utilised. Corporate guarantees executed by the Company and certain of the Group's deposits and properties with aggregate net book values of HK\$89.8 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 26.6% as at 31st March 2020 was based on the total of bank loans and other loans of HK\$116,355,000 (of which HK\$52,179,000, HK\$26,581,000 and HK\$37,595,000 are repayable within one year, in the second year and in the third to fifth year respectively) and the shareholders' funds of approximately HK\$437,293,000. 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 year ended 31st March 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 31st March 2020, the Group had commitments in respect of film rights, films in progress, film royalty deposits, and licenses amounting to approximately HK\$3,549,000. The commitments will be financed by the Group's internal resources and banking and other available facilities.

Employees

At 31st March 2020, the Group employed 144 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\$49,451,000 were charged to the profit or loss during the year.

CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with the exception of the deviation in respect of the appointment term of non-executive directors.

Under code provision A.4.1, 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 dealt with the requirement in respect of the appointment terms of non-executive directors as required under the code provision.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements for the year ended 31st March 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31st March 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

On behalf of the Board

Li Kuo Hsing

Chairman

Hong Kong, 30th June 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. Lee G. Lam, Mr. Guo Yan Jun and Mr. Leung Tak Sing, Dominic.