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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 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	2	95,588	153,608
Cost of sales	4	<u>(54,541)</u>	<u>(69,581)</u>
Gross profit		41,047	84,027
Other income	2	8,297	11,972
Other gains/(losses) — net	3	32,118	(33,904)
Selling, distribution and marketing expenses	4	(4,742)	(11,371)
Administrative expenses	4	(124,911)	(142,728)
Net impairment losses on financial assets		<u>(8,123)</u>	<u>(47)</u>
Operating loss		(56,314)	(92,051)
Finance income	5	876	1,932
Finance costs	5	<u>(9,953)</u>	<u>(10,656)</u>
Finance costs — net		(9,077)	(8,724)
Share of losses of associates		(1,768)	(414)
Share of loss of a joint venture		<u>(4)</u>	<u>—</u>
Loss before income tax		(67,163)	(101,189)
Income tax credit	6	<u>7,766</u>	<u>2,888</u>
Loss for the year		<u>(59,397)</u>	<u>(98,301)</u>
Loss attributable to:			
Owners of the Company		(58,249)	(97,188)
Non-controlling interests		<u>(1,148)</u>	<u>(1,113)</u>
		<u>(59,397)</u>	<u>(98,301)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to owners of the Company			
Basic and diluted loss per share	7	<u>(0.98)</u>	<u>(1.64)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year	(59,397)	(98,301)
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	50	1,143
Deferred taxation arising from revaluation surplus of buildings	69	(243)
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	4,140	(3,602)
Other comprehensive income/(loss) for the year, net of tax	4,259	(2,702)
Total comprehensive loss for the year	(55,138)	(101,003)
Total comprehensive loss attributable to:		
Owners of the Company	(54,463)	(99,577)
Non-controlling interests	(675)	(1,426)
Total comprehensive loss for the year	(55,138)	(101,003)

CONSOLIDATED BALANCE SHEET

As at 31st March 2021

	Note	2021 HK\$'000	2020 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		191,011	220,013
Investment properties		216,499	210,559
Right-of-use assets		93,375	124,121
Film and program rights, films in progress and deposits for film and program rights		164,708	175,516
Interests in associates		7,863	9,567
Interests in joint ventures		—	4
Trade and other receivables and deposits	9	7,523	1,948
		<u>680,979</u>	<u>741,728</u>
Current assets			
Inventories		134	156
Prepayments, deposits, trade and other receivables	9	42,825	56,232
Contract assets		—	3,273
Deferred fulfilment costs		300	300
Amounts due from associates		—	4,480
Financial assets at fair value through profit or loss		5,740	8,907
Pledged bank deposits		23,500	23,500
Short-term bank deposits		2,200	1,129
Cash and cash equivalents		25,219	27,204
		<u>99,918</u>	<u>125,181</u>
Total assets		<u>780,897</u>	<u>866,909</u>
Equity			
Equity attributable to owners of the Company			
Share capital		118,475	118,475
Share premium		407,428	407,428
Reserves		(151,358)	(88,610)
		<u>374,545</u>	<u>437,293</u>
Shareholders' funds		374,545	437,293
Non-controlling interests		9,212	1,602
		<u>383,757</u>	<u>438,895</u>
Total equity		<u>383,757</u>	<u>438,895</u>

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Liabilities			
Non-current liabilities			
Bank and other borrowings	<i>11</i>	77,608	64,176
Lease liabilities		105,592	107,899
Deferred income tax liabilities		23,873	25,947
		<u>207,073</u>	<u>198,022</u>
Current liabilities			
Trade and other payables	<i>10</i>	85,387	123,867
Contract liabilities		19,160	14,220
Amounts due to associates		18,036	12,313
Bank overdrafts	<i>11</i>	21,867	20,595
Bank loans	<i>11</i>	29,228	31,584
Lease liabilities		10,632	15,791
Current income tax liabilities		5,757	11,622
		<u>190,067</u>	<u>229,992</u>
Total liabilities		<u>397,140</u>	<u>428,014</u>
Total equity and liabilities		<u>780,897</u>	<u>866,909</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2021

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Other reserve HK\$'000	Contributed surplus HK\$'000	Exchange difference HK\$'000	Buildings revaluation reserve HK\$'000	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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	<u>118,475</u>	<u>407,428</u>	<u>12</u>	<u>1,536</u>	<u>189,009</u>	<u>(11,504)</u>	<u>82,486</u>	<u>(350,149)</u>	<u>1,602</u>	<u>438,895</u>

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 2020	118,475	407,428	12	1,536	189,009	(11,504)	82,486	(350,149)	1,602	438,895
Comprehensive loss										
Loss for the year	—	—	—	—	—	—	—	(58,249)	(1,148)	(59,397)
Other comprehensive income										
Surplus on revaluation of buildings	—	—	—	—	—	—	50	—	—	50
Deferred taxation arising from revaluation surplus of buildings	—	—	—	—	—	—	69	—	—	69
Currency translation differences										
— Group	—	—	—	—	—	3,176	—	—	473	3,649
— Associates	—	—	—	—	—	64	—	—	—	64
— Release of exchange reserve upon deregistration of subsidiaries	—	—	—	—	—	427	—	—	—	427
Total other comprehensive income	—	—	—	—	—	3,667	119	—	473	4,259
Total comprehensive loss	—	—	—	—	—	3,667	119	(58,249)	(675)	(55,138)
Transaction with non-controlling interest	—	—	—	(7,916)	—	(369)	—	—	8,285	—
Total transactions with owners, recognised directly in equity	—	—	—	(7,916)	—	(369)	—	—	8,285	—
Balance at 31st March 2021	<u>118,475</u>	<u>407,428</u>	<u>12</u>	<u>(6,380)</u>	<u>189,009</u>	<u>(8,206)</u>	<u>82,605</u>	<u>(408,398)</u>	<u>9,212</u>	<u>383,757</u>

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 under the historical cost convention, as modified by 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

The Group incurred a net loss of HK\$59,397,000 for the year ended 31st March 2021, while the Group’s current liabilities exceeded its current assets by HK\$90,149,000 and its cash and cash equivalents, less bank overdrafts, amounted to HK\$3,352,000 as at the same date. The Group’s business operations, in particular the film exhibitions and cinema operations, have been adversely affected since the outbreak of Coronavirus Disease 2019 (“COVID-19”) in early 2020. The timing of film release has been postponed in response to market situation, capacity limit has been imposed in cinema and the consumption of food and beverages in cinema has been discouraged by the mask-wearing requirement.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

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 fulfil its financial obligations to continue as a going concern. The Group has taken plans and measures to improve its financial position and to alleviate its liquidity pressure, which include the following:

- (i) With the rollout of vaccination on a national scale in Mainland China, and the spread of the pandemic largely under control in Mainland China, there have been encouraging signs that the operating and market environments in the media and entertainment sector would be gradually improving. The management of the Company has scheduled to release its films during the year ending 31st March 2022 and is confident that the Company can collect the proceeds from box office and licensing arrangements by 31st March 2022. The directors of the Company are also taking measures to improve the operating results of the Group’s cinema operations in Mainland China in anticipation of further easing of social-distancing measures imposed by the government.

- (ii) In respect of the Group's existing bank facilities of HK\$54,399,000 at 31st March 2021, of which HK\$52,766,000 has been utilised as at the same date, the directors of the Company considered that such facilities will continue to be available given that such facilities are secured by the Group's investment properties and pledged bank deposits with carrying value at 31st March 2021 of HK\$46,100,000 and HK\$23,500,000 respectively. In addition, the Group had investment properties amounted to HK\$170,399,000 as at 31st March 2021 that were not pledged. The directors of the Company is confident that the Group can obtain new bank facilities, as and when needed, by pledging these investment properties portfolio as security. These unpledged investment properties are located in major cities, including Hong Kong, Guangzhou and Xiamen. The Group may also consider to dispose of certain of these unpledged investment properties to satisfy its funding needs as and when necessary.
- (iii) In addition, the controlling shareholder of the Company has agreed to provide financial support to the Company for a period of twelve months from the approval date of these consolidated financial statements to enable the Group to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations.

The directors of the Company have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31st March 2021. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31st March 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, whether the Group will be able to generate adequate cash flows to continue as a going concern would depend upon the following:

- (i) Timely release of its films and collection of the relevant proceeds from the box office and licensing arrangements in the financial year ending 31st March 2022 as anticipated by the directors of the Company;
- (ii) Successful implementation of measures to improve the operating results of the Group's cinema business in Mainland China and to generate sufficient cash inflow upon further easing of social distancing control measures currently imposed by the government on cinemas in Mainland China;
- (iii) Successful in securing new or renewing existing bank facilities or disposal of its investment properties to provide additional funding, as and when needed; and
- (iv) Successful in obtaining financial support from the controlling shareholder, as and when needed.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

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 standards and amendments for the first time for the annual reporting period commencing 1st April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform — Phase 1
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

The Group has early adopted Amendments to HKFRS 16 — COVID-19-Related Rent Concessions retrospectively from 1st April 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments due on or before 30th June 2021; and
- c. there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling HK\$4,469,000 have been accounted for as negative variable lease payments and recognised in administrative expenses in the consolidated income statement for the year ended 31st March 2021, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1st April 2020.

(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 standards, interpretation and accounting guidance have been published that are not mandatory for 31st March 2021 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2	1st January 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework	1st January 2022
Annual Improvements to HKFRS Standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1st January 2022
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1st January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1st January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1st January 2022
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts	1st January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1st January 2023
Amendments to Hong Kong Interpretation 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1st January 2023
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Note

None of these new and amended standards, interpretation and accounting guidance are expected to have a material impact on the Group's consolidated financial statements.

2. Revenue and segment information

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue		
Channel operations	56,170	55,384
Film exhibition and film rights licensing and sub-licensing	11,915	53,184
Cinema operations	26,186	33,709
Concert performance and events organisation	—	6,939
Applications and video online	1,317	3,764
Artiste management	—	628
	<u>95,588</u>	<u>153,608</u>
Other income		
Rental income from investment properties	5,616	7,458
Management fee income	276	336
Dividend income	9	1,068
Government grants (<i>Note</i>)	1,589	—
Others	807	3,110
	<u>8,297</u>	<u>11,972</u>
	<u><u>103,885</u></u>	<u><u>165,580</u></u>

Note:

It represents government subsidies from the Employment Support Scheme granted by the HKSAR Government to provide time limited financial support to eligible employers to retain their employees due to the adverse situation of COVID-19 in Hong Kong.

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 2021 and 2020, the Group operates in eight business segments:

- Channel operations
- Film exhibition and film rights licensing and sub-licensing
- Cinema 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 2021 by each principal activity is as follows:

	Channel operations HK\$'000	Film exhibition and film rights licensing and sub-licensing HK\$'000	Cinema 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	56,170	11,915	26,186	—	1,317	—	—	—	95,588
Reportable segment profit/(loss)	6,997	(2,663)	(53,258)	360	(4,593)	(172)	62	4,379	(48,888)
Reportable segment assets	20,911	187,586	99,286	9,906	1,861	—	27,397	223,517	570,464
Reportable segment liabilities	(19,415)	(31,995)	(174,477)	(10,287)	(875)	—	(10,436)	(2,064)	(249,549)
Depreciation of property, plant and equipment	(247)	(356)	(11,530)	—	(83)	(1)	(321)	—	(12,538)
Depreciation of right-of-use assets	—	—	(8,276)	—	—	—	—	—	(8,276)
Fair value gains on revaluation of investment properties	—	—	—	—	—	—	—	3,239	3,239
Amortisation of film and program rights	(13,161)	—	—	—	—	—	—	—	(13,161)
Provision for impairment of film and program rights, films in progress and deposits for film and program rights	(7,666)	(6,734)	—	—	—	—	—	—	(14,400)
Provision for impairment of property, plant and equipment	—	—	(16,000)	—	—	—	—	—	(16,000)
Provision for impairment of right-of-use assets	—	—	(29,000)	—	—	—	—	—	(29,000)
Impairment losses on amounts due from associates	—	(1,344)	(3,514)	—	(111)	—	—	—	(4,969)
Impairment losses on other receivables	—	(3,730)	—	—	—	—	—	(454)	(4,184)
Reversal of previous impairment losses on amount due from a joint venture	—	—	—	—	400	—	—	—	400
Finance costs	—	—	(8,557)	—	—	—	—	—	(8,557)
Additions to property, plant and equipment	19	—	710	—	—	—	—	335	1,064
Additions to film and program rights, films in progress and deposits for film and program rights	7,213	8,380	—	—	—	—	—	—	15,593
Disaggregation of revenue from contracts with customers									
Timing of revenue recognition:									
At a point in time	—	11,915	26,186	—	1,317	—	—	—	39,418
Over time	56,170	—	—	—	—	—	—	—	56,170
	56,170	11,915	26,186	—	1,317	—	—	—	95,588

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

	Channel operations HK\$ '000	Film exhibition and film rights licensing and sub-licensing HK\$ '000	Cinema 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 revaluation of investment properties	—	—	—	—	—	—	—	(30,115)	(30,115)
Amortisation of film and program 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 and program rights, films in progress and deposits for film and program rights	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

- (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.

- (b) The revenue of HK\$5,892,000 (2020: HK\$7,794,000) 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	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Reportable segment loss	(48,888)	(31,770)
Unallocated amounts:		
Unallocated other income	9	1,438
Unallocated other gains/(losses) — net	1,836	(3,789)
Unallocated finance costs	(1,396)	(1,243)
Unallocated reversal of previous impairment losses on other receivables	630	—
Unallocated depreciation of property, plant and equipment	(6,068)	(6,235)
Unallocated depreciation of right-of-use assets	(788)	(788)
Unallocated share of (loss)/profit of an associate	(1,768)	33
Unallocated share of loss of a joint venture	(4)	—
Unallocated corporate expenses	(10,726)	(58,835)
	<u>(67,163)</u>	<u>(101,189)</u>
Loss before income tax per consolidated income statement	<u>(67,163)</u>	<u>(101,189)</u>
Assets	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Reportable segment assets	570,464	645,864
Unallocated assets:		
Unallocated property, plant and equipment and right-of-use assets	189,028	194,135
Unallocated financial assets at FVPL	5,740	8,907
Unallocated cash and cash equivalents	75	213
Unallocated interests in associates and joint ventures	7,863	9,571
Unallocated corporate assets	7,727	8,219
	<u>780,897</u>	<u>866,909</u>
Total assets per consolidated balance sheet	<u>780,897</u>	<u>866,909</u>

Liabilities	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Reportable segment liabilities	249,549	253,034
Unallocated liabilities:		
Unallocated bank borrowings	86,966	80,341
Unallocated amounts due to associates	18,036	12,313
Unallocated current income tax liabilities	5,757	11,622
Unallocated deferred income tax liabilities	23,873	25,947
Unallocated corporate liabilities	12,959	44,757
	<hr/>	<hr/>
Total liabilities per consolidated balance sheet	397,140	428,014
	<hr/> <hr/>	<hr/> <hr/>

(d) Geographical analysis of revenues from external customers and non-current assets

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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	28,887	28,449
Mainland China	28,240	84,509
Taiwan	9,784	9,354
Other countries	28,677	31,296
	<hr/>	<hr/>
	95,588	153,608
	<hr/> <hr/>	<hr/> <hr/>

During the year ended 31st March 2021, 2 customers individually contributed over 10% of the Group's revenue (2020: 1 customer). The revenue from the customers during the years are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	28,677	31,296
Customer B	17,710	—*
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

* The customer did not contribute over 10% of the Group's revenue for the year ended 31st March 2020.

	Non-current assets (other than financial assets)	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	446,710	455,225
Mainland China	196,199	240,650
Taiwan	25,986	24,614
Other countries	4,561	19,291
	<u>673,456</u>	<u>739,780</u>

3. Other gains/(losses) – net

	2021	2020
	HK\$'000	HK\$'000
Fair value gains/(losses) on revaluation of investment properties	3,239	(30,115)
Fair value gains/(losses) on financial assets at FVPL	1,240	(4,087)
Loss on disposal of property, plant and equipment — net	(6)	(19)
Gain on early termination of a lease contract (<i>Note (i)</i>)	7,526	—
Write-off of unclaimed accrual (<i>Note (ii)</i>)	19,517	—
Others	602	317
	<u>32,118</u>	<u>(33,904)</u>

Notes:

- (i) During the year ended 31st March 2021, the Group successfully terminated a lease contract early for its cinema operations in Shanghai at a cost lower than the amount originally stated in the lease contract and accrued by the Group. As a result, a gain on early termination of a lease contract of HK\$7,526,000 was recognised in the consolidated income statement.
- (ii) During the year ended 31st March 2021, the Group wrote off an accrual of HK\$19,517,000 set aside for the portion of the film rights licensing income received from a film distributor in Mainland China (“PRC Distributor”) in excess of the amount as determined based on the relevant licensing agreement. The accrual was written-off in the current year after the PRC Distributor had been deregistered for more than 7 years as the directors of the Company considered it is extremely remote that the Group will be required to pay the amount.

4. Expenses by nature

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amortisation of film and program rights	13,161	21,943
Depreciation		
— Owned property, plant and equipment	18,606	17,045
— Right-of-use assets	9,064	10,974
Provision for impairment of film and program rights, films in progress and deposits for film and program rights	14,400	8,781
Provision for impairment of property, plant and equipment	16,000	—
Provision for impairment of right-of-use assets	29,000	—
Rent concessions granted as a direct consequence of COVID-19	(4,469)	—
Auditor's remuneration		
— Audit services	1,815	1,665
— Non-audit services	80	—
Direct operating expenses arising from investment properties that generate rental income	1,655	1,628
Employee benefit expenses (including directors' emoluments)	40,436	49,451
Exchange losses/(gains)	1,456	(1,050)
Marketing and promotion expenses	152	5,010
Operating lease rental in respect of buildings	88	92
Production, playout and origination costs	8,801	10,384
Claims, legal and professional fees	3,919	54,937
Cost of inventories	360	577
Concert costs	—	5,172
Video online costs	—	174
	<u> </u>	<u> </u>

5. Finance costs — net

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance income		
— Interest income on short-term bank deposits	280	741
— Interest income on loans to a third party and an associate	—	466
— Interest income from the financing components of contracts with customers	596	725
	<u> </u>	<u> </u>
	876	1,932
Finance costs		
— Interest on bank and other borrowings	(4,339)	(4,542)
— Interest element of lease liabilities	(5,614)	(6,114)
	<u> </u>	<u> </u>
	(9,953)	(10,656)
Finance costs — net	<u> </u>	<u> </u>
	(9,077)	(8,724)

6. Income tax credit

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 2021 and 2020. 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax		
— Hong Kong corporate income tax	—	—
— Overseas corporate income tax	—	716
— Over-provision in prior years (<i>Note</i>)	(5,437)	—
Deferred income tax	(2,329)	(3,604)
Income tax credit	(7,766)	(2,888)

Note:

It represents the derecognition of tax provision of which the time-bar period for assessment of the relevant provision has expired during the year ended 31st March 2021.

7. Loss per share

(a) *Basic*

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of HK\$58,249,000 (2020: HK\$97,188,000) by the weighted average number of ordinary shares of 5,923,739,000 (2020: 5,923,739,000) in issue during the year.

(b) *Diluted*

Diluted loss per share for the years ended 31st March 2021 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 2021 (2020: Nil).

9. Prepayments, deposits, trade and other receivables

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	47,670	56,541
<i>Less: impairment losses on trade receivables</i>	<u>(20,868)</u>	<u>(20,868)</u>
Trade receivables — net	26,802	35,673
Prepayments	6,197	5,763
Other receivables and deposits	<u>17,349</u>	<u>16,744</u>
	50,348	58,180
<i>Less: other receivables and deposits — non-current portion</i>	<u>(4,105)</u>	<u>(1,948)</u>
<i>Less: trade receivables — non-current portion</i>	<u>(3,418)</u>	<u>—</u>
Current portion	<u><u>42,825</u></u>	<u><u>56,232</u></u>

As at 31st March 2021 and 2020, the carrying amounts of deposits, trade and other receivables approximate their fair values.

At 31st March 2021 and 2020, all other receivables are unsecured and interest-free.

The credit terms to trade receivables generally range from 7 to 90 days (2020: 7 to 90 days).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current to 3 months	24,264	35,673
4 to 6 months	—	—
Over 6 months	<u>23,406</u>	<u>20,868</u>
	<u><u>47,670</u></u>	<u><u>56,541</u></u>

As at 31st March 2021, a trade receivable of HK\$8,083,000 (2020: HK\$12,978,000) arising from a film rights licensing contract comprised a significant financing component at 6% per annum (2020: 6% per annum).

At 31st March 2021, trade receivables of HK\$20,868,000 (2020: 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
HK\$	9,634	12,994
Renminbi ("RMB")	37,825	43,159
New Taiwan Dollar ("NTD")	2,889	2,027
	<u>50,348</u>	<u>58,180</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1st April	20,868	20,868
Write-off of trade receivables	—	—
	<u>20,868</u>	<u>20,868</u>
At 31st March	<u>20,868</u>	<u>20,868</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	8,482	7,150
Other payables and accruals	76,905	116,717
	<u>85,387</u>	<u>123,867</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current to 3 months	2,366	640
4 to 6 months	—	—
Over 6 months	6,116	6,510
	<u>8,482</u>	<u>7,150</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
HK\$	51,128	72,488
RMB	31,364	50,582
United States Dollar ("USD")	2,162	—
NTD	733	797
	<u>85,387</u>	<u>123,867</u>

11. Bank and other borrowings

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank overdrafts, secured	21,867	20,595
Secured bank loans — current portion	29,228	31,584
Bank borrowings — current portion	51,095	52,179
Secured bank loans — non-current portion	1,671	3,162
Total bank borrowings (<i>Note (a)</i>)	52,766	55,341
Other borrowings — non-current portion (<i>Note (b)</i>)	75,937	61,014
Total borrowings	<u>128,703</u>	<u>116,355</u>

(a) Bank borrowings

The Group's bank borrowings are repayable as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year and repayable on demand	51,095	52,179
Between 1 to 2 years	1,671	1,581
Between 2 to 5 years	—	1,581
	<u>52,766</u>	<u>55,341</u>

At 31st March 2021, available facilities amounting to HK\$54,399,000 (2020: HK\$58,246,000) 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\$22,940,000 (2020: HK\$21,800,000) and certain of the Group's investment properties with an aggregate carrying value of HK\$46,100,000 (2020: HK\$44,500,000);
- (ii) corporate guarantees executed by the Company; and
- (iii) pledged bank deposits of HK\$23,500,000 (2020: HK\$23,500,000) of the Group being placed in commercial banks in Hong Kong and are pledged against the bank facilities granted to the Group.

At 31st March 2021, the weighted average effective interest rate per annum of the Group's pledged bank deposits is 0.2% (2020: 1.5%). The pledged bank deposits are denominated in HK\$.

At 31st March 2021, 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. (2020: 0.25% p.a. to 2.4% p.a.) and fixed interest rate of 1.55% (2020: 1.45%) for NTD-denominated loans. The weighted average effective interest rate per annum of the Group's bank borrowings as at 31st March 2021 is 2.6% (2020: 3.8%).

The fair values of the borrowings approximate their carrying amounts at 31st March 2021 and 2020.

(b) Other borrowings

As at 31st March 2021, the Group has a borrowing with outstanding principal of RMB30,000,000 (approximately HK\$35,495,000) (2020: RMB30,000,000 (approximately HK\$32,715,000)) and interest of RMB5,275,000 (approximately HK\$6,242,000) (2020: RMB3,025,000 (approximately HK\$3,299,000)). The borrowing is interest-bearing at a fixed rate of 7.5% per annum and unsecured. The principal and interest are not repayable within 5 years from drawdown date. The lender is a company partially owned by a brother of the Group's controlling shareholder.

At 31st March 2021, the Group also had another borrowing with a principal amount of HK\$25,000,000 (2020: HK\$25,000,000) provided by IST Company Limited ("IST"), an associate. The borrowing is unsecured, interest-free and is not repayable before 31st December 2022 (2020: not repayable before 1st January 2022).

At 31st March 2021, the Group had a borrowing with a principal amount of HK\$9,200,000 (2020: Nil) provided by the controlling shareholder of the Company. The borrowing is unsecured, interest-free and is not repayable before 1st October 2022.

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 ending 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.

On 8th February 2021, a settlement deed (the “Deed”) was entered into between the plaintiff and the defendants, including the Company and the Former Director, of the Proceedings, in which the Company and the Former Director agreed to pay to the plaintiff the sum of HK\$50,000,000, out of which approximately HK\$40,557,000 is to be jointly liable by the Company and the Former Director, and the Former Director is solely liable for the remaining HK\$9,443,000, as full and final settlement of the Proceedings and all differences and disputes between the parties.

The Group had set aside a provision of HK\$20,251,000 in the consolidated financial statements based on the Judgment and another provision based on management’s best estimate on the potential interest and costs arising from the Proceedings during the year ended 31st March 2020. The amount of provisions made as at 31st March 2020 was largely in line with the final settlement agreed on 8th February 2021, as a result, no material further provision was considered necessary for the year ended 31st March 2021. As at 31st March 2021, a balance of HK\$16,258,000 in respect of the Proceedings which has been incurred but was not due for payment was included in other payables in the consolidated balance sheet.

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\$58,249,000 (2020: HK\$97,188,000) and the directors do not recommend the payment of a dividend (2020: Nil).

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31st March 2021, the Group recorded a consolidated revenue of HK\$95,588,000 (2020: HK\$153,608,000), gross profit of HK\$41,047,000 (2020: HK\$84,027,000) and a loss attributable to owners of the Company of HK\$58,249,000 (2020: HK\$97,188,000). The drop in gross margin was mainly attributable to the decrease in revenue from film licensing segment which is of relatively higher margin.

The contribution of revenues from the Group's channel operations segment for the period kept steady at approximately HK\$56.2 million. Quality media content is the key for both traditional and new media companies to compete with their rivals for viewership and revenue. The media industry is in the stage of transforming from traditional media to new media industry. A large number of viewers are moving out from traditional TV services to join the fast growing OTT services. The Group has well positioned ourselves as an important content provider of Chinese movies and drama contents to the companies in both the traditional and new media industries in this stage. In South East Asia, our exclusive content supply contract with HBO Asia will be completed in 2021. It will open a huge potential to our Group to supply our contents to the fast growing new media industry in South East Asia where international new media giants are actively acquiring contents in order to grow their subscribers. The Group will adopt a non-exclusive cooperation strategy with these new media companies after the completion of the exclusive cooperation with HBO Asia. In Hong Kong, the Group is supplying a Chinese movie channel with hundreds of movies to TVB's new media platform, namely myTV SUPER. During the year, we have increased our supply of movies to TVBC's (a joint venture company of TVB group in PRC) OTT APP. In Taiwan, we provided a Chinese movie/drama channel to viewers through the telecom/OTT platform of Chung Hwa Telecom Company Limited.

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"). 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\$53.2 million to HK\$11.9 million. The original schedules of releasing new titles were delayed due to the outbreak of COVID-19 and no new titles was released during the year. 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 which shooting have been completed.

In PRC, there are strong demands on our contents. Since 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. Last year the Group also entered into similar agreements with Youku and Ixigua (the “Last Year Agreement”), the new media operators in the PRC, to broadcast its film library content. During the year, the Group further concluded agreements (the “Current Year Agreement”) to release content through the media platforms of Bilibili and Tencent. These cooperations further confirm the Group’s important expansion strategy, as a content provider, of entering into the new media market in the PRC and also release the worth of our film library. Last year, the Group recognized majority of the revenue under the Last Year Agreement as a substantial portion of the relevant titles were completed and went online before the year end date (i.e. 31st March 2020). This year relatively lower portion and fewer titles under the Current Year Agreement went online as at 31st March 2021 and accordingly the Group recognized a lower amount of revenue during the year then ended. The remaining titles are expected to go online continuously subsequent to year end date and accordingly further revenue are expected to be recognized in the forthcoming financial year. 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 year. 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\$33.7 million to HK\$26.2 million. During the year, provisions for impairment of property, plant and equipment and right-of-use assets amounting to HK\$16 million and HK\$29 million were made against the cinema segment and accordingly the segment loss increased from HK\$21 million to HK\$53 million.

Due to the outbreak of COVID-19, the operating segment of concert performance and event organisation was suspended and did not generate revenue during the year. Following the re-activation of the segment in the second half of 2021 with the next concert to be held in August 2021 and more to follow. The segment is expected to generate rewarding revenue and return in the forthcoming financial year.

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 gains of approximately HK\$1.2 million (2020: loss of HK\$4.1 million). The investment properties portfolio of the Group contributed a surplus on revaluation of approximately HK\$3.2 million (2020: deficit of HK\$30.1 million). Such unrealized surpluses have no effect on the Group’s cash flow.

In respect of the legal proceeding against the Company, the Company reached a settlement deed with the plaintiff in February 2021 as full and final settlement of the proceeding. As substantial portion of the commitment has already been provided in the annual results of last year, the entering into of the settlement deed has no material adverse impact on the financial results of the Group for the year ended 31st March 2021. Details and status of the proceeding were disclosed in the Company's announcements dated 16th April 2020, 14th May 2020, 5th November 2020 and 8th February 2021.

The financial year ended 31st March 2021 is challenging. 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 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 31st March 2021, the Group has available banking facilities of approximately HK\$54.4 million, of which approximately HK\$52.8 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\$92.5 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 34.4% as at 31st March 2021 was based on the total of bank loans and other loans of HK\$128,703,000 (of which HK\$51,095,000, HK\$35,871,000 and HK\$41,737,000 are repayable within one year, in the second year and in the third to fifth year respectively) and the shareholders' funds of approximately HK\$374,545,000. 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 2021, 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 2021, the Group had commitments in respect of film rights, licenses and investment in a digital media project amounting to approximately HK\$15.8 million. The commitments will be financed by the Group's internal resources and banking and other available facilities.

Employees

At 31st March 2021, the Group employed 124 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\$40,436,000 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 2021.

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 2021 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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31st March 2021.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st March 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$59,397,000 for the year ended 31st March 2021, while the Group's current liabilities exceeded its current assets by HK\$90,149,000 and its cash and cash equivalents, less of bank overdrafts, amounted to HK\$3,352,000 as at the same date. The Group's business operations, in particular the film exhibition and cinema operations, have been adversely affected since the outbreak of Coronavirus Disease in early 2020. These conditions, along with other matters as described in Note 2.1.1 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

On behalf of the Board

Li Kuo Hsing

Chairman

Hong Kong, 30th June 2021

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.