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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 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2018

	Note	Year ended 31st March	
		2018 HK\$'000	2017 HK\$'000
Revenue	2	114,500	100,091
Cost of sales	4	<u>(90,326)</u>	<u>(92,112)</u>
Gross profit		24,174	7,979
Other income	2	13,173	16,706
Other gains — net	3	15,244	31,679
Selling, distribution and marketing expenses	4	<u>(12,616)</u>	<u>(23,892)</u>
Administrative expenses	4	<u>(86,165)</u>	<u>(116,877)</u>
Operating loss		(46,190)	(84,405)
Finance income	5	<u>821</u>	<u>1,314</u>
Finance costs	5	<u>(286)</u>	<u>(234)</u>
Finance income — net		535	1,080
Share of losses of associates — net		(1,942)	(949)
Share of loss of a joint venture		(1,902)	(797)
Provision for impairment of a joint venture		<u>(282)</u>	<u>—</u>
Loss before income tax		(49,781)	(85,071)
Income tax expense	6	<u>(1,442)</u>	<u>(396)</u>
Loss for the year		<u>(51,223)</u>	<u>(85,467)</u>
Loss attributable to:			
Owners of the Company		(49,159)	(82,259)
Non-controlling interests		<u>(2,064)</u>	<u>(3,208)</u>
		<u>(51,223)</u>	<u>(85,467)</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>(0.83)</u>	<u>(1.39)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2018

	Year ended 31st March	
	2018	2017
	HK\$'000	HK\$'000
Loss for the year	(51,223)	(85,467)
Other comprehensive (loss)/income, net of tax:		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Surplus on revaluation of buildings	5,906	1,964
Deferred taxation arising from revaluation surplus of buildings	(819)	(380)
<i>Items that may be reclassified to profit or loss</i>		
Fair value losses on available-for-sale financial assets — net	(3,214)	(1,474)
Impairment losses on available-for-sale financial assets	50	—
Currency translation differences	(9,994)	5,435
Release of exchange reserve upon disposals of subsidiaries	—	(244)
Other comprehensive (loss)/income for the year, net of tax	(8,071)	5,301
Total comprehensive loss for the year	(59,294)	(80,166)
Total comprehensive loss attributable to:		
Owners of the Company	(57,939)	(77,693)
Non-controlling interests	(1,355)	(2,473)
Total comprehensive loss for the year	(59,294)	(80,166)

CONSOLIDATED BALANCE SHEET

As at 31st March 2018

		As at 31st March	
		2018	2017
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		25,720	26,508
Property, plant and equipment		184,813	179,280
Investment properties		241,486	218,504
Film rights, films in progress and film royalty deposits		176,176	148,268
Interests in associates		11,121	12,944
Interests in joint ventures		4	2,188
Available-for-sale financial assets		3,498	6,712
Other receivables and deposits	9	5,918	4,757
		<u>648,736</u>	<u>599,161</u>
Current assets			
Inventories		179	238
Trade and other receivables	9	44,254	29,464
Amounts due from associates		—	13,757
Amounts due from joint ventures		—	5,015
Financial assets at fair value through profit or loss		41,922	46,011
Pledged bank deposits		23,500	23,500
Short-term bank deposits		1,856	2,258
Cash and cash equivalents		55,406	123,585
		<u>167,117</u>	<u>243,828</u>
Total assets		<u>815,853</u>	<u>842,989</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		118,475	118,475
Share premium		407,428	407,428
Reserves		97,734	155,673
		<u>623,637</u>	<u>681,576</u>
Shareholders' funds		623,637	681,576
Non-controlling interests		4,691	6,046
		<u>628,328</u>	<u>687,622</u>
Total equity		<u>628,328</u>	<u>687,622</u>

		As at 31st March	
		2018	2017
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	<i>11</i>	6,452	7,789
Obligations under finance leases	<i>11</i>	144	312
Deferred income tax liabilities		24,445	22,822
		<u>31,041</u>	<u>30,923</u>
Current liabilities			
Trade and other payables	<i>10</i>	78,434	77,568
Receipts in advance		25,458	34,005
Amounts due to associates		1,834	—
Borrowings	<i>11</i>	39,590	1,441
Obligations under finance leases	<i>11</i>	168	236
Current income tax liabilities		11,000	11,194
		<u>156,484</u>	<u>124,444</u>
Total liabilities		<u>187,525</u>	<u>155,367</u>
Total equity and liabilities		<u>815,853</u>	<u>842,989</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2018

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Share-based payment reserve HK\$'000	Contributed surplus HK\$'000	Exchange difference HK\$'000	Buildings revaluation reserve HK\$'000	Available-for-sale financial assets revaluation reserve HK\$'000	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1st April 2016	118,475	407,428	12	12,178	189,009	4,358	71,464	7,119	(50,774)	651	759,920
Comprehensive loss											
Loss for the year	—	—	—	—	—	—	—	—	(82,259)	(3,208)	(85,467)
Other comprehensive income/(loss)											
Surplus on revaluation of buildings	—	—	—	—	—	—	1,964	—	—	—	1,964
Deferred taxation arising from revaluation surplus of buildings	—	—	—	—	—	—	(380)	—	—	—	(380)
Fair value losses on available-for-sale financial assets – net	—	—	—	—	—	—	—	(1,474)	—	—	(1,474)
Currency translation differences											
— Group	—	—	—	—	—	4,701	—	—	—	735	5,436
— Associates	—	—	—	—	—	(1)	—	—	—	—	(1)
— Release of exchange reserve upon disposals of subsidiaries	—	—	—	—	—	(244)	—	—	—	—	(244)
Total other comprehensive income/(loss)	—	—	—	—	—	4,456	1,584	(1,474)	—	735	5,301
Total comprehensive income/(loss)	—	—	—	—	—	4,456	1,584	(1,474)	(82,259)	(2,473)	(80,166)
Share options forfeited	—	—	—	(317)	—	—	—	—	317	—	—
Derecognition of non-controlling interests upon disposals of subsidiaries	—	—	—	—	—	—	—	—	—	7,868	7,868
Total transactions with owners, recognised directly in equity	—	—	—	(317)	—	—	—	—	317	7,868	7,868
Balance at 31st March 2017	<u>118,475</u>	<u>407,428</u>	<u>12</u>	<u>11,861</u>	<u>189,009</u>	<u>8,814</u>	<u>73,048</u>	<u>5,645</u>	<u>(132,716)</u>	<u>6,046</u>	<u>687,622</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>	Share-based payment reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange difference <i>HK\$'000</i>	Buildings revaluation reserve <i>HK\$'000</i>	Available- for-sale financial assets 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 2017	118,475	407,428	12	11,861	189,009	8,814	73,048	5,645	(132,716)	6,046	687,622
Comprehensive loss											
Loss for the year	—	—	—	—	—	—	—	—	(49,159)	(2,064)	(51,223)
Other comprehensive (loss)/income											
Surplus on revaluation of buildings	—	—	—	—	—	—	5,906	—	—	—	5,906
Deferred taxation arising from revaluation surplus of buildings	—	—	—	—	—	—	(819)	—	—	—	(819)
Fair value losses on available-for-sale financial assets – net	—	—	—	—	—	—	—	(3,214)	—	—	(3,214)
Impairment losses on available-for-sale financial assets	—	—	—	—	—	—	—	50	—	—	50
Currency translation differences											
— Group	—	—	—	—	—	(10,822)	—	—	—	709	(10,113)
— Associates	—	—	—	—	—	119	—	—	—	—	119
Total other comprehensive (loss)/income	—	—	—	—	—	(10,703)	5,087	(3,164)	—	709	(8,071)
Total comprehensive (loss)/ income	—	—	—	—	—	(10,703)	5,087	(3,164)	(49,159)	(1,355)	(59,294)
Share options lapsed	—	—	—	(11,861)	—	—	—	—	11,861	—	—
Total transactions with owners, recognised directly in equity	—	—	—	(11,861)	—	—	—	—	11,861	—	—
Balance at 31st March 2018	<u>118,475</u>	<u>407,428</u>	<u>12</u>	<u>—</u>	<u>189,009</u>	<u>(1,889)</u>	<u>78,135</u>	<u>2,481</u>	<u>(170,014)</u>	<u>4,691</u>	<u>628,328</u>

Notes:

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) 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, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

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

1.1 Changes in accounting policy and disclosures

(a) *Amendments to standards adopted by the Group*

The following amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1st April 2017:

- Amendments to HKAS 7, “Statement of cash flows”
- Amendments to HKAS 12, “Income taxes”
- Annual improvements 2014-2016 — Amendments to HKFRS 12, “Disclosure of interest in other entities”

The Group has adopted these standards and the adoption of these standards did not have a significant impact on the Group’s results and financial position.

There are no other new standards or amendments to standards that are effective for the first time for the financial year beginning on or after 1st April 2017 that are expected to have a material impact on the Group.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31st March 2018 reporting periods and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 1	First Time Adoption of HKFRS	1st January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1st January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1st January 2018
HKFRS 9 (<i>note i</i>)	Financial Instruments	1st January 2018
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1st January 2019
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 15 (<i>note ii</i>)	Revenue from Contracts with Customers	1st January 2018
Amendments to HKFRS 15	Clarifications to HKFRS 15	1st January 2018
HKFRS 16 (<i>note iii</i>)	Leases	1st January 2019
HKFRS 17	Insurance Contracts	1st January 2021
Amendments to HKAS 28	Investments in Associates and Joint Ventures	1st January 2018
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1st January 2019
Amendments to HKAS 40	Transfers of Investment Property	1st January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1st January 2018
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1st January 2019
Annual Improvements 2015-2017 Cycle	Improvements to HKFRSs	1st January 2019

Note: To be announced by HKICPA

The Group has already commenced an assessment of the impact of these new standards, amendments to existing standards and new interpretations, certain of which are relevant to the Group's operations.

2. Revenue and segment information

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Licensing income	95,398	83,595
Sales of services	16,122	13,998
Sales of goods	2,980	2,498
	<u>114,500</u>	<u>100,091</u>
Other income		
Rental income from investment properties	8,870	10,651
Management fee income	245	245
Dividend income	1,912	1,651
Others	2,146	4,159
	<u>13,173</u>	<u>16,706</u>
	<u><u>127,673</u></u>	<u><u>116,797</u></u>

The chief operating decision maker has 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 year ended 31st March 2018, 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
- Mobile games 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 2018 by each principal activity is as follows:

	Television operations <i>HKS'000</i>	Film exhibition and film rights licensing and sub-licensing <i>HKS'000</i>	Theatre operations <i>HKS'000</i>	Concert performance and events organisation <i>HKS'000</i>	Mobile games applications and video online <i>HKS'000</i>	Artiste management <i>HKS'000</i>	Sales and distribution of films and programs in audio visual product format <i>HKS'000</i>	Property investment <i>HKS'000</i> <i>(note (b))</i>	Group <i>HKS'000</i>
Segment revenue	41,495	30,743	24,347	15,191	931	860	933	—	114,500
Reportable segment (loss)/profit	(10,690)	(8,999)	(2,071)	(2,858)	(32,190)	(475)	(159)	21,399	(36,043)
Reportable segment assets	41,528	197,089	6,183	20,827	1,263	6,310	29,883	247,172	550,255
Reportable segment liabilities	(29,495)	(45,595)	(18,137)	(13,388)	(1,214)	(221)	(1,855)	(27,517)	(137,422)
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	(395)	(576)	(949)	(99)	(317)	—	(379)	—	(2,715)
Fair value gain on revaluation of investment properties	—	—	—	—	—	—	—	19,309	19,309
Amortisation of film rights	(15,507)	(13,648)	—	—	—	—	—	—	(29,155)
Provision for impairment of film rights and films in progress	—	(17,175)	—	—	—	—	—	—	(17,175)
Share of losses of — An associate	—	—	—	—	(3,353)	—	—	—	(3,353)
— A joint venture	—	—	—	—	(1,902)	—	—	—	(1,902)
Provision for impairment of interest in a joint venture	—	—	—	—	(282)	—	—	—	(282)
Provision for impairment of amount due from an associate	—	—	—	—	(9,415)	—	—	—	(9,415)
Provision for impairment of amount due from a joint venture	—	—	—	—	(9,086)	—	—	—	(9,086)
Provision for impairment of other receivables	—	—	—	—	(1,283)	—	—	—	(1,283)
Additions to property, plant and equipment	38	779	132	347	11	7	—	4,869	6,183
Additions to film rights, films in progress and film royalty deposits	11,855	91,162	—	—	—	—	—	—	103,017

The segment information for the year ended 31st March 2017 by each principal activity is as follows:

	Television operations <i>HK\$'000</i>	Film exhibition and film rights licensing and sub-licensing <i>HK\$'000</i>	Theatre operations <i>HK\$'000</i>	Concert performance and events organisation <i>HK\$'000</i>	Mobile games applications and video online <i>HK\$'000</i>	Artiste management <i>HK\$'000</i>	Sales and distribution of films and programs in audio visual product format <i>HK\$'000</i>	Property investment <i>HK\$'000</i> <i>(note (b))</i>	Group <i>HK\$'000</i>
Segment revenue	40,301	22,222	23,420	11,206	2,791	—	151	—	100,091
Reportable segment (loss)/profit	(12,804)	(64,039)	(20,828)	395	(5,961)	(731)	(1,843)	12,298	(93,513)
Reportable segment assets	49,781	118,498	5,706	11,283	20,967	5,136	31,312	222,642	465,325
Reportable segment liabilities	(34,445)	(60,648)	(14,181)	(7,382)	(315)	—	(3,126)	(24,972)	(145,069)
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	(342)	(473)	(7,001)	(24)	(503)	—	(265)	—	(8,608)
Impairment of property, plant and equipment	—	—	(14,058)	—	—	—	—	—	(14,058)
Fair value gain on revaluation of investment properties	—	—	—	—	—	—	—	8,130	8,130
Amortisation of film rights	(16,084)	(16,093)	—	—	—	—	—	—	(32,177)
Provision for impairment of film rights and films in progress	—	(18,278)	—	—	—	—	—	—	(18,278)
Share of losses of — An associate	—	—	—	—	(6,987)	—	—	—	(6,987)
— A joint venture	—	—	—	—	(797)	—	—	—	(797)
Additions to property, plant and equipment	507	—	825	—	39	—	733	202	2,306
Additions to film rights, films in progress and film royalty deposits	14,149	51,315	—	—	—	—	—	—	65,464
Interest in and amount due from an associate	—	—	—	—	12,692	—	—	—	12,692
Interest in and amount due from a joint venture	—	—	—	—	7,203	—	—	—	7,203

- (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 maker 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 profits of associates, other income, other gains — net, finance costs — net, depreciation of property, plant and equipment, 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 and amounts due from associates and joint ventures, available-for-sale financial assets, financial assets at fair value through profit or loss, cash and cash equivalents and other corporate assets (mainly including property, plant and equipment and leasehold land and land use rights that are used by all segments).

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

- (b) The revenue of HK\$9,115,000 (2017: HK\$10,896,000) 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	2018	2017
	HK\$ '000	HK\$ '000
Reportable segment loss	(36,043)	(93,513)
Unallocated amounts:		
Unallocated other income	1,956	2,121
Unallocated other (losses)/gains — net	(4,065)	11,911
Unallocated finance costs — net	(286)	(234)
Unallocated depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	(6,157)	(6,026)
Unallocated share of profit of an associate	1,411	6,038
Unallocated corporate expenses	(6,597)	(5,368)
Loss before income tax per consolidated income statement	<u>(49,781)</u>	<u>(85,071)</u>

Assets	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Reportable segment assets	550,255	465,325
Unallocated assets:		
Unallocated property, plant and equipment and leasehold land and land use rights	203,645	198,019
Unallocated available-for-sale financial assets	3,498	6,712
Unallocated financial assets at fair value through profit or loss	41,922	46,011
Unallocated cash and cash equivalents	112	108,774
Unallocated interests in and amounts due from associates and joint ventures	11,125	14,009
Unallocated corporate assets	5,296	4,139
	<hr/>	<hr/>
Total assets per consolidated balance sheet	815,853	842,989
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Liabilities	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Reportable segment liabilities	137,422	145,069
Unallocated liabilities:		
Unallocated bank borrowings	46,042	9,230
Unallocated amounts due to associates	1,834	—
Unallocated corporate liabilities	2,227	1,068
	<hr/>	<hr/>
Total liabilities per consolidated balance sheet	187,525	155,367
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The Group is principally domiciled in Hong Kong, the People's Republic of China ("PRC") and the Republic of China ("Taiwan"). The result of its revenue from external customers and non-current assets other than financial instruments located in Hong Kong and other countries are summarised below:

	Revenue from external customers	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	41,876	35,099
PRC	44,215	34,184
Taiwan	9,280	9,345
Other countries	19,129	21,463
	<hr/>	<hr/>
	114,500	100,091
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During the year ended 31st March 2018, revenues of approximately HK\$18,297,000 (2017: HK\$19,109,000) was derived from one single external customer attributable to the television operations.

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	449,907	365,892
PRC	141,235	170,437
Taiwan	27,244	25,274
Other countries	20,934	26,089
	639,320	587,692
	639,320	587,692

3. Other gains — net

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value gains on revaluation of investment properties	19,309	8,130
Fair value (losses)/gains on financial assets at fair value through profit or loss	(4,089)	4,140
Gains on disposal of subsidiaries — net	—	11,638
Gain on disposal of an associate	—	7,771
Gain on disposal of property, plant and equipment — net	74	—
Impairment loss on available-for-sale financial assets	(50)	—
	15,244	31,679
	15,244	31,679

4. Expenses by nature

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of inventories	1,716	1,113
Reversal of obsolescence of inventories	(933)	(77)
Amortisation of leasehold land and land use rights	788	788
Depreciation		
— Owned property, plant and equipment	7,745	13,625
— Leased property, plant and equipment	339	221
Impairment of property, plant and equipment	—	14,058
Amortisation of film rights	29,155	32,177
Provision for impairment of film rights	17,175	18,278
Provision for impairment of amount due from an associate	9,415	—
Provision for impairment of amount due from a joint venture	9,086	—
Provision for impairment of other receivables	1,283	—
Reversal of impairment of trade receivables	—	(1,493)
Auditor's remuneration		
— Audit services	1,660	1,600
— Non-audit services	90	80
Direct operating expenses arising from investment properties that generate rental income	2,210	1,776
Employee benefit expenses (including directors' emoluments)	47,877	49,471
Exchange (gains)/losses	(19,206)	9,336
Marketing and promotion expenses	9,507	19,544
Operating lease rental in respect of buildings	7,424	7,387
Production, payout and origination costs	<u>13,801</u>	<u>17,052</u>

5. Finance income — net

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Finance income		
— Interest income on short-term bank deposits	298	759
— Interest income on loans to third parties	523	555
	<u>821</u>	<u>1,314</u>
Finance costs		
— Interest on loans	(270)	(225)
— Interest element of finance leases	(16)	(9)
	<u>(286)</u>	<u>(234)</u>
Finance income — net	<u><u>535</u></u>	<u><u>1,080</u></u>

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year. Taiwan corporate income tax has been provided at the rate of 17% (2017: 17%) on the estimated assessable profit for the year. Taxation on other countries' profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax	—	—
— Taiwan corporate income tax	719	165
— Over-provision in prior years	(20)	—
Total current tax	<u>699</u>	<u>165</u>
Deferred income tax	<u>743</u>	<u>231</u>
Income tax expense	<u><u>1,442</u></u>	<u><u>396</u></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\$49,159,000 (2017: HK\$82,259,000) by the weighted average number of ordinary shares of 5,923,739,000 (2017: 5,923,739,000) in issue during the year.

(b) Diluted

Diluted loss per share for the years ended 31st March 2017 and 2018 are the same as the basic loss per share as the potential additional ordinary shares are anti-dilutive.

8. Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31st March 2018 (2017: nil).

9. Trade and other receivables

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	45,711	29,993
<i>Less:</i> provision for impairment of trade receivables	<u>(20,868)</u>	<u>(20,930)</u>
Trade receivables — net	24,843	9,063
Prepayments	6,464	5,600
Other receivables and deposits	<u>18,865</u>	<u>19,558</u>
	50,172	34,221
<i>Less:</i> other receivables and deposits – non-current portion	<u>(5,918)</u>	<u>(4,757)</u>
Current portion	<u><u>44,254</u></u>	<u><u>29,464</u></u>

The carrying amounts of trade and other receivables approximate their fair values (2017: same).

At 31st March 2018, trade and other receivables are unsecured and interest-free, except for an other receivable of HK\$751,000 (2017: HK\$915,000) which is interest bearing at Hong Kong prime rate plus 2% per annum (2017: 2% per annum) and secured by (i) first legal charge over a property in Hong Kong with fair value of approximately HK\$18,433,000 (2017: HK\$16,760,000); and (ii) a separate all moneys guarantee and indemnity executed by a third party individual (2017: same), of which HK\$560,000 (2017: HK\$736,000) is not repayable within the next twelve months as at the balance sheet date.

The credit terms to trade receivables generally range from 7 to 90 days (2017: 7 to 90 days).

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current to 3 months	24,843	9,063
4 to 6 months	—	—
Over 6 months	<u>20,868</u>	<u>20,930</u>
	<u>45,711</u>	<u>29,993</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Not more than twelve months after the reporting period	38,207	29,993
More than twelve months after the reporting period	<u>7,504</u>	<u>—</u>
	<u>45,711</u>	<u>29,993</u>

At 31st March 2018, trade receivables of HK\$1,965,000 (2017: HK\$1,684,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Up to 3 months	1,965	1,684
Over 3 months	<u>—</u>	<u>—</u>
	<u>1,965</u>	<u>1,684</u>

At 31st March 2018, trade receivables of HK\$20,868,000 (2017: HK\$20,930,000) 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong dollar ("HK\$")	29,837	27,013
Renminbi ("RMB")	18,309	5,159
New Taiwan dollar ("NTD")	2,026	2,049
	50,172	34,221

Movements on the Group's provision for impairment of trade receivables are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At 1st April 2017 and 2016	20,930	22,423
Reversal of impairment of trade receivables	—	(1,493)
Written-off of trade receivables	(62)	—
At 31st March 2018 and 2017	20,868	20,930

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	2,412	2,090
Other payables and accruals	76,022	75,478
	78,434	77,568

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current to 3 months	2,081	449
4 to 6 months	—	—
Over 6 months	331	1,641
	2,412	2,090

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
HK\$	39,560	36,884
RMB	38,528	40,524
NTD	346	160
	<u>78,434</u>	<u>77,568</u>

11. Borrowings and obligations under finance leases

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Bank overdrafts, secured	18,383	—
Secured bank loans — current portion	<u>21,207</u>	<u>1,441</u>
Bank borrowings — current portion	39,590	1,441
Secured bank loans — non-current portion	<u>6,452</u>	<u>7,789</u>
Total borrowings <i>(note(a))</i>	<u>46,042</u>	<u>9,230</u>
Obligations under finance leases <i>(note(b))</i>		
— Current portion	168	236
— Non-current portion	<u>144</u>	<u>312</u>
	<u>312</u>	<u>548</u>

(a) Borrowings

The Group's borrowings are repayable as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 1 year and repayable on demand	39,590	1,441
Between 1 to 2 years	1,606	1,470
Between 2 to 5 years	4,846	4,603
Later than 5 years	<u>—</u>	<u>1,716</u>
	<u>46,042</u>	<u>9,230</u>

At 31st March 2018, banking facilities amounting to HK\$78,844,000 (2017: HK\$78,109,000) 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\$23,152,000 (2017: HK\$22,043,000) and certain of the Group's investment properties with an aggregate carrying value of HK\$51,100,000 (2017: HK\$47,500,000);
- (ii) corporate guarantees executed by the Company;
- (iii) pledged bank deposits of HK\$23,500,000 (2017: HK\$23,500,000) of the Group; and
- (iv) financial assets at fair value through profit or loss of HK\$28,873,000 (2017: HK\$26,987,000) of the Group.

At 31st March 2018, the Group's bank borrowings bear floating interest rates of Hong Kong Inter-bank Offered Rate ("HIBOR") plus 1.25% p.a. to 2.5% p.a. (2017: nil) and fixed interest rate of 1.9% for New Taiwan dollar-denominated loans (2017: 1.9%). The weighted average effective interest rate per annum of the Group's bank borrowings as at 31st March 2018 is 3.0% (2017: 1.9%).

The fair values of the borrowings approximate their carrying amounts at 31st March 2018 and 2017.

(b) 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.

	2018 HK\$'000	2017 <i>HK\$'000</i>
Gross finance lease liabilities — minimum lease payments:		
— No later than 1 year	176	252
— Later than 1 year and no later than 5 years	147	323
	<u>323</u>	<u>575</u>
Future finance charges on finance leases	(11)	(27)
Present value of finance lease liabilities	<u><u>312</u></u>	<u><u>548</u></u>

The present value of finance lease liabilities is as follows:

	2018 HK\$'000	2017 <i>HK\$'000</i>
— No later than 1 year	168	236
— Later than 1 year and no later than 5 years	144	312
	<u><u>312</u></u>	<u><u>548</u></u>

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 Mei Ah Entertainment Group Limited (the "Company") for the year is HK\$49,159,000 (2017: HK\$82,259,000) and the directors do not recommend the payment of a dividend (2017: Nil).

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31st March 2018, the Group recorded a consolidated revenue of HK\$114,500,000 (2017: HK\$100,091,000) and a loss attributable to owners of the Company of HK\$49,159,000 (2017: HK\$82,259,000).

The contribution of revenues from the Group's television segment for the year increased from approximately HK\$40.3 million to HK\$41.5 million. As at 31st March 2018, the Group provided channels through various operators, including "RED by HBO" channel through the platform of HBO in certain Asian territories, HD movie channel through Chunghwa Telecom MOD platform and a movie channel through the TVB pay vision in Hong Kong.

Since November 2009, the Group has entered into an agreement with HBO Asia to launch and distribute a dedicated Asian channel "RED by HBO" in different Asian countries and territories by stages. In 2018, the Group and HBO Asia has extended the long term exclusive cooperation for 5 years. Through this collaboration, the Group provides HBO Asia with Asian contents, i.e. drama series and movies to RED by HBO. In addition, the Group provides Asian contents to support HBO GO, the new media business of HBO Asia. This helped the Group to distribute its contents to Asia and then the global market. It has also helped the Group to establish its brand name in the businesses of traditional media, new media and content provider. Through the cooperation, the Group receives revenues attributable to various Asian countries and territories including Malaysia, Indonesia, Thailand, Philippines, Vietnam, Myanmar, Cambodia and Laos through different platforms including pay TV and new media. We look forward to distributing the channel in other Asian countries and territories. The other channels have also provided steadily contributions to the Group. The Group will continue to explore opportunities to develop channels with other media platforms.

The contribution of revenues from the Group's film exhibition and film rights licensing and sub-licensing segment increased from HK\$22.2 million to HK\$30.7 million. More licensing of titles were entered into during the year. The Group also allocated and contributed an increased amount of resources in the investment of film production during the year. Certain new titles are in the progress of production and are expected to be released to the market in the forthcoming year. These titles received encouraging responses from the market during their pre-sale.

Looking forward, the Group will continue to invest and offer its utmost support in film production industry and aims to invest in and produce high quality and welcoming films.

Besides self producing and investing, the Group also makes use of its wide distribution network developed for years for its business of film distribution. 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 customized 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 has also commenced operations since 2013. The Group's theatres are all digital and equipped with 3-D movie broadcasting functions. The theatre in Tianjin has 7 screens consisting approximately 1,200 seats and the one located in Jiading, Shanghai has 10 screens with approximately 1,600 seats. The theatres contributed revenues of approximately HK\$24.3 million (2017: HK\$23.4 million) in aggregate during the year. The Group is in the progress of constructing a new theatre in Guangzhou with 9 screens and approximately 1,300 seats.

During the year, the Group made provisions for impairment in respect of its film rights amounting to HK\$17.2 million (2017: HK\$18.3 million). The provisions were made taken into account the current market conditions and estimated future recoverable amounts in respect of the relevant assets.

During the year, the Group's operating segment of concert performance and events organisation contributed revenues of approximately HK\$15.2 million (2017: HK\$11.2 million) as more events were held during the year. More events invested will be released in the forthcoming year. The Group is of the view that this segment will continue to bring increasing input to the Group.

In respect of the mobile games applications and video online segment, the Group has launched its video website "www.116.tv", which include contents of films, drama and entertainment news, and also invested in associated companies and a joint venture company of game development/distribution and online advertising platforms. Looking forward, the Group considers the new media investment will ignite a revolution to the industry and fit the expected market demand.

The Group has signed up to manage the jobs of a number of artistes and has developed its artiste management business. The artiste management of the Group started to contribute revenue of HK\$860,000 (2017: Nil) 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.

Revenues attributable to sales and distribution of films and programs in audio and visual product format were minimal for the year.

The Group's channel management operations are conducted through its associated company, namely IST Company Limited (formerly known as Hongkongmovie.com Company Limited) and its subsidiaries ("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. IST has planned to provide its services under the developing platform which enables clients to distribute contents in different formats to different ends, which is expected to contribute future favorable returns to IST and the Group.

During the year, following the changes in the investment market conditions, the Group's financial assets at fair value through profit or loss turned to record an fair value loss of approximately HK\$4.1 million (2017: gain of HK\$4.1 million). The investment properties portfolio of the Group contributed a surplus on revaluation of approximately HK\$19.3 million (2017: HK\$8.1 million). Such unrealised gains/losses have no effect on the Group's cash flow.

On 13th April 2011, the Company received a writ of summons and statement of claim, which was further amended on 12th October 2012, 4th April 2014 and 30th March 2017, with no specified amount of the amount of damages being claimed by a third party in respect of alleged fraudulent breaches relating to the management of an associated company which is under liquidation. The directors of the Company, after taking advice from the legal advisors which have considered the information so far available, consider such claim is not strong, and the Company has a good chance to defend its position. In this regard, the directors of the Company do not anticipate any material liabilities would arise from this litigation and there would be no material impact to the financial position nor consolidated financial statements of the Company and of the Group for the year ended 31st March 2018.

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 2018, the Group has available banking facilities of approximately HK\$79 million, of which approximately HK\$46 million were utilised. Corporate guarantees executed by the Company and certain of the Group's deposits, financial assets and properties with aggregate net book values of HK\$127 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 7.4% as at 31st March 2018 was based on the total of bank loans and obligations under finance leases of HK\$46,354,000 (of which HK\$39,758,000, HK\$1,750,000 and HK\$4,846,000 are repayable within one year, in the second year and in the third to fifth year respectively) and the shareholders' funds of approximately HK\$623,637,000.

The Group's bank balances and borrowings are primarily denominated in HK dollars, RMB and NTD. The Group will monitor its foreign currency exposure closely. During the year ended 31st March 2018, 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 2018, the Group had commitments in respect of film production, film and program licensing agreements and other investments amounting to approximately HK\$139 million in aggregate. In April 2018, the Group has resolved to dissolve certain investments and accordingly commitments amounting to approximately HK\$61.3 million were released subsequent to the year end date. The other commitments will be financed by the Group's internal resources and banking and other available facilities.

Employees

At 31st March 2018, the Group employed 171 staff (2017: 173). 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\$47.9 million (2017: HK\$49.5 million) were charged to the profit and 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 deal 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 2018.

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 2018 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 audited 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, 28th June 2018

As at the date of this announcement, the executive directors of the Company are Mr. Li Kuo Hsing, Mr. Tong Hing Chi, Mr. Li Tang Yuk and Dr. Dong Ming, the non-executive directors are Mr. Hugo Shong and 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.