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Media Asia Group Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8075)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors of Media Asia Group Holdings Limited (the “**Directors**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to Media Asia Group Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

RESULTS

The board of directors (the “**Board**”) of Media Asia Group Holdings Limited (the “**Company**”) presents the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 July 2020 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
TURNOVER	3	364,773	573,732
Cost of sales		(320,887)	(536,421)
Gross profit		43,886	37,311
Other income	3	9,542	10,519
Marketing expenses		(24,047)	(20,469)
Administrative expenses		(138,419)	(142,167)
Other operating gains		1,833	13,333
Other operating expenses		(62,421)	(21,289)
LOSS FROM OPERATING ACTIVITIES		(169,626)	(122,762)
Finance costs	4	(17,756)	(15,786)
Share of profits and losses of joint ventures		50	(4,153)
Share of profit and loss of an associate		—	432
LOSS BEFORE TAX	5	(187,332)	(142,269)
Income tax credit/(expense)	6	61	(2,637)
LOSS FOR THE YEAR		(187,271)	(144,906)
Attributable to:			
Owners of the Company		(178,169)	(147,056)
Non-controlling interests		(9,102)	2,150
		(187,271)	(144,906)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic and diluted (HK cents)		(8.34)	(6.88)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LOSS FOR THE YEAR	(187,271)	(144,906)
OTHER COMPREHENSIVE INCOME/(LOSS) THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS		
Exchange differences on translation of foreign operations	(305)	1,493
Release of foreign currency translation reserve upon disposal of subsidiaries	<u>—</u>	<u>(15)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(305)</u>	<u>1,478</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(187,576)</u>	<u>(143,428)</u>
Attributable to:		
Owners of the Company	(178,553)	(145,744)
Non-controlling interests	<u>(9,023)</u>	<u>2,316</u>
	<u>(187,576)</u>	<u>(143,428)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		—	2,890
Film and TV program products		25,268	35,139
Film and TV program rights		—	147
Investments in joint ventures		13,555	19,505
Investment in an associate		—	—
Prepayments, deposits and other receivables		22,732	29,342
Other financial assets		—	9,426
Right-of-use assets		—	—
		<hr/>	<hr/>
Total non-current assets		61,555	96,449
CURRENT ASSETS			
Films and TV programs under production and film investments		313,420	417,308
Trade receivables	8	42,654	78,726
Prepayments, deposits and other receivables		138,477	146,418
Other financial assets		5,539	11,349
Cash and cash equivalents		317,692	334,996
		<hr/>	<hr/>
Total current assets		817,782	988,797
CURRENT LIABILITIES			
Trade payables	9	75	3,798
Accruals and other payables		252,547	300,257
Deposits received		226,431	262,533
Loan from an intermediate holding company	10	—	100,000
Loan from a fellow subsidiary	11	—	200,000
Lease liabilities		9,170	—
Tax payable		10,751	11,499
		<hr/>	<hr/>
Total current liabilities		498,974	878,087
NET CURRENT ASSETS		<hr/> 318,808	<hr/> 110,710
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 380,363	<hr/> 207,159

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Loans from an intermediate holding company	<i>10</i>	350,000	—
Lease liabilities		5,357	—
		<hr/>	<hr/>
Total non-current liabilities		355,357	—
		<hr/>	<hr/>
Net assets		25,006	207,159
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>12</i>	21,361	21,361
Reserves		18,876	197,429
		<hr/>	<hr/>
		40,237	218,790
Non-controlling interests		(15,231)	(11,631)
		<hr/>	<hr/>
Total equity		25,006	207,159
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2020

	Attributable to owners of the Company							Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 August 2018	21,361	633,661	95,191	(8,903)	(376,776)	364,534	(18,768)	345,766
Profit/(loss) for the year	—	—	—	—	(147,056)	(147,056)	2,150	(144,906)
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operations	—	—	—	1,327	—	1,327	166	1,493
Release of foreign currency translation reserve upon disposal of subsidiaries	—	—	—	(15)	—	(15)	—	(15)
Total comprehensive income/(loss) for the year	—	—	—	1,312	(147,056)	(145,744)	2,316	(143,428)
Capital contributions from a non-controlling shareholder	—	—	—	—	—	—	858	858
Disposal of subsidiaries	—	—	—	—	—	—	3,963	3,963
At 31 July 2019 and 1 August 2019	21,361	633,661 [#]	95,191 [#]	(7,591) [#]	(523,832) [#]	218,790	(11,631)	207,159
Loss for the year	—	—	—	—	(178,169)	(178,169)	(9,102)	(187,271)
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operations	—	—	—	(384)	—	(384)	79	(305)
Total comprehensive loss for the year	—	—	—	(384)	(178,169)	(178,553)	(9,023)	(187,576)
Capital contributions from non-controlling shareholders	—	—	—	—	—	—	5,423	5,423
At 31 July 2020	21,361	633,661 [#]	95,191 [#]	(7,975) [#]	(702,001) [#]	40,237	(15,231)	25,006

[#] These reserve accounts comprise the consolidated reserves of HK\$18,876,000 (2019: HK\$197,429,000) in the consolidated statement of financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for certain financial assets which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised standards for the first time for the current year’s financial statements.

HKFRS 16	<i>Leases</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for HKFRS 16 and Amendments to HKAS 28 as explained below, the application of these new and revised HKFRSs has had no significant impact on the financial performance or financial position of the Group.

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for leases under a single on-balance-sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 August 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 August 2019, and the comparative information for the year ended 31 July 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 August 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties and equipment. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“**short-term leases**”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 August 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 August 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 August 2019. The Group elected to present the lease liabilities separately in the consolidated statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 August 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 August 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months at the date of initial application;
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- Applying a single discount rate to a portfolio of leases with reasonable similar characteristics when measuring the lease liabilities at 1 August 2019;

- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 August 2019 as an alternative to performing an impairment review; and
- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Financial impact at 1 August 2019

The impact arising from the adoption of HKFRS 16 at 1 August 2019 was as follows:

	Increase/ (decrease) <i>HK\$'000</i>
Assets	
Increase in right-of-use assets	16,354
Decrease in prepayments, deposits and other receivables	(391)
	<hr/>
Increase in total assets	15,963
	<hr/> <hr/>
Liabilities	
Increase in lease liabilities and total liabilities	15,963
	<hr/> <hr/>

The lease liabilities as at 1 August 2019 reconciled to the operating lease commitments as at 31 July 2019 are as follows:

	<i>HK\$'000</i>
Operating lease commitments as at 31 July 2019	9,075
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 July 2020	(1,348)
Add:	
Payments for optional periods not recognised as at 31 July 2019	9,494
	<hr/>
	17,221
Weighted average incremental borrowing rate as at 1 August 2019	5.523%
Discounted operating lease commitments and lease liabilities as at 1 August 2019	15,963
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- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in an associate and joint ventures upon adoption of the amendments on 1 August 2019 based on the facts and circumstances that exist on that day using the transitional requirements in the amendments. The adoption of the amendments on 1 August 2019 resulted in reclassification of HK\$15,286,000 from share of net liabilities of an associate to provision for impairment losses and HK\$28,621,000 from share of net liabilities of joint ventures to provision for impairment losses. There is no impact on the balances of the investment in an associate and investments in joint ventures. The Group applies the relief from restating comparative information for prior periods upon adoption of the amendments.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has the following reportable segments:

- (i) the media and entertainment segment engages in the investment in and the production of entertainment events, the provision of artiste management services, album sales and the distribution and licence of music;
- (ii) the film and TV program segment engages in the investment in, production of, sale, distribution and licence of films and TV programs; and
- (iii) the corporate segment comprises corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax.

Segment liabilities exclude tax payable and loans from an intermediate holding company and a fellow subsidiary as these liabilities are managed on a group basis.

In determining the Group's geographical information, revenue information is based on the locations of the customers, and asset information is based on the locations of the assets.

There were no material intersegmental sales and transfers during the year (2019: Nil).

Segment revenue/results:

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	104,796	336,239	259,977	237,493	—	—	364,773	573,732
Other income	<u>2,688</u>	<u>7,192</u>	<u>3,453</u>	<u>2,775</u>	<u>3,401</u>	<u>552</u>	<u>9,542</u>	<u>10,519</u>
Segment profit/(loss)	<u>(38,571)</u>	<u>30,291</u>	<u>(99,205)</u>	<u>(140,669)</u>	<u>(31,850)</u>	<u>(17,104)</u>	<u>(169,626)</u>	<u>(127,482)</u>
Gain on disposal of subsidiaries	—	—	—	4,720	—	—	—	4,720
Finance costs	(253)	—	(413)	—	(17,090)	(15,786)	(17,756)	(15,786)
Share of profits and losses of joint ventures	(193)	(2,567)	243	(1,586)	—	—	50	(4,153)
Share of profit and loss of an associate	—	—	—	432	—	—	—	432
Loss before tax							<u>(187,332)</u>	<u>(142,269)</u>

	Media and entertainment		Film and TV program		Corporate		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	187,943	272,727	625,073	728,932	52,766	64,082	865,782	1,065,741
Investments in joint ventures	11,608	17,851	1,947	1,654	—	—	13,555	19,505
Investment in an associate	—	—	—	—	—	—	—	—
Total assets							<u>879,337</u>	<u>1,085,246</u>
Segment liabilities	101,147	182,896	381,623	377,925	10,810	5,767	493,580	566,588
Unallocated liabilities							<u>360,751</u>	<u>311,499</u>
Total liabilities							<u>854,331</u>	<u>878,087</u>
Other segment information:								
Depreciation of property, plant and equipment	268	456	268	1,199	612	2,102	1,148	3,757
Depreciation of right-of-use assets	3,373	—	4,427	—	3,346	—	11,146	—
Amortisation of film and TV program products	—	—	128,011	69,137	—	—	128,011	69,137
Amortisation of film and TV program rights	—	—	283	3,484	—	—	283	3,484
Impairment of films and TV programs under production	—	—	12,439	64,310	—	—	12,439	64,310
Impairment of trade receivables	4,847	—	127	—	—	—	4,974	—
Impairment of advances and other receivables	5,345	3,173	8,399	9,147	775	—	14,519	12,320
Impairment of property, plant and equipment	639	—	204	—	1,507	—	2,350	—
Impairment of right-of-use assets	2,954	—	5,292	—	6,331	—	14,577	—
Impairment of amounts due from joint ventures	697	—	364	—	—	—	1,061	—
Reversal of impairment of an amount due from an associate	—	—	(29)	—	—	—	(29)	—
Reversal of impairment of advances and other receivables	(88)	(34)	—	(315)	—	—	(88)	(349)
Write-off of trade receivables	—	90	—	—	—	—	—	90
Write-off of prepayments and other receivables	—	—	3,167	339	—	—	3,167	339
Additions of property, plant and equipment	392	345	78	315	157	1,956	627	2,616
Additions of right-of-use assets	280	—	2,426	—	9,068	—	11,774	—
Additions of film and TV program rights	—	—	136	1,760	—	—	136	1,760
Additions of film and TV program products, net	—	—	1,655	2	—	—	1,655	2
Additions of films and TV programs under production and film investments	—	—	155,297	245,651	—	—	155,297	245,651

Geographical information

	Hong Kong		Mainland China		Macau		Others		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue:										
Sales to external customers	58,307	267,189	267,137	234,760	20,908	34,533	18,421	37,250	364,773	573,732
Assets:										
Segment assets										
— non-current assets	53,734	53,841	7,821	32,791	—	—	—	9,817	61,555	96,449
— current assets	282,115	449,227	528,717	513,319	2,044	12,986	4,906	13,265	817,782	988,797
Total assets									879,337	1,085,246
Other information:										
Additions of property, plant and equipment	379	2,264	156	79	—	—	92	273	627	2,616
Additions of right-of-use assets	9,068	—	2,706	—	—	—	—	—	11,774	—
Additions of film and TV program rights	136	1,760	—	—	—	—	—	—	136	1,760
Additions of film and TV program products, net	1,655	2	—	—	—	—	—	—	1,655	2
Additions of films and TV programs under production and film investments	13,694	70,832	141,603	174,819	—	—	—	—	155,297	245,651

Information about major customers

Revenue from two (2019: one) customers which accounted for revenue exceeding 10% of the Group's total revenues amounted to approximately HK\$189,765,000 for the year ended 31 July 2020 (2019: HK\$159,945,000).

3. TURNOVER AND OTHER INCOME

(a) An analysis of the Group's turnover is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Entertainment event income	68,372	298,767
Album sales, licence income and distribution commission income from music publishing and licensing	31,079	28,666
Artiste management fee income	5,345	8,806
Distribution commission income, licence fee income and sales from film and TV program products and film and TV program rights	259,977	237,493
	<u>364,773</u>	<u>573,732</u>

(b) An analysis of the Group's other income is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Other income from contracts with customers</i>		
Commission and handling fee income from entertainment events	4,315	7,366
<i>Other income from other sources</i>		
Bank interest income	1,427	1,389
Government grants*	2,472	1,077
Rental income	738	—
Others	590	687
	<u>5,227</u>	<u>3,153</u>
	<u>9,542</u>	<u>10,519</u>

* There are no unfulfilled conditions or contingencies related to this income.

4. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on:		
— Loans from an intermediate holding company	7,265	5,369
— Loan from a fellow subsidiary	9,387	10,417
— Lease liabilities	1,104	—
	<u>17,756</u>	<u>15,786</u>

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2020 HK\$'000	2019 HK\$'000
Cost of film and TV program products, film and TV program rights and licence rights	258,472	290,412
Cost of artiste management services and services for entertainment events provided	62,415	246,009
Total cost of sales	320,887	536,421
Depreciation of property, plant and equipment	1,148	3,757
Depreciation of right-of-use assets	11,146	—
Amortisation of film and TV program products [#]	128,011	69,137
Amortisation of film and TV program rights [#]	283	3,484
Minimum lease payments under operating leases in respect of land and buildings incurred for:		
Entertainment events [#]	—	5,733
Others	—	14,220
Contingent rents incurred for entertainment events [#]	—	39,007
Total operating lease payments	—	58,960
Lease payments not included in the measurement of lease liabilities:		
Entertainment events [#]	1,347	—
Others	2,782	—
Contingent rents incurred for entertainment events [#]	2,821	—
Total	6,950	—
Auditor's remuneration	2,222	2,222
Employee benefit expense (including directors' emoluments):		
Salaries, wages, bonuses and allowances	87,720	92,691
Pension scheme contributions	4,036	5,304
	91,756	97,995
Less: Capitalised in films and TV programs under production	—	(7,964)
	91,756	90,031

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gain on disposal of subsidiaries*	—	(4,720)
Loss on disposal of property, plant and equipment ^{##}	3	—
Gain on termination of leases*	(1)	—
Impairment of property, plant and equipment ^{##}	2,350	—
Impairment of right-of-use assets ^{##}	14,577	—
Impairment of amounts due from joint ventures ^{##}	1,061	—
Reversal of impairment of an amount due from an associate*	(29)	—
Impairment of films and TV programs under production [#]	12,439	64,310
Impairment of trade receivables ^{##}	4,974	—
Impairment of advances and other receivables ^{##}	14,519	12,320
Reversal of impairment of advances and other receivables*	(88)	(349)
Write-off of trade receivables ^{##}	—	90
Write-off of prepayments and other receivables ^{##}	3,167	339
Fair value change from film investments ^{##}	5,014	—
Fair value change from other financial assets ^{##}	9,426	—
Share of net loss from entertainment events organised by the Group to co-investors*	(659)	—
Share of net gain from entertainment events organised by the Group to co-investors ^{##}	—	740
Fair value change from entertainment events organised by co-investors*	(990)	(8,230)
Foreign exchange losses, net ^{##}	<u>7,308</u>	<u>6,755</u>

These items are included in “Cost of sales” in the consolidated income statement. The contingent rents are charged based on certain percentages of the gross ticket proceeds collected in respect of the entertainment events.

These items are included in “Other operating expenses” in the consolidated income statement.

* These items are included in “Other operating gains” in the consolidated income statement.

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 July 2020. Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 July 2019. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2020 HK\$'000	2019 HK\$'000
Provision for tax for the year		
Current — Hong Kong		
Charge for the year	—	2,078
Overprovision in prior years	(56)	(22)
Current — Elsewhere		
Charge for the year	466	581
Overprovision in prior years	(471)	—
	<u> </u>	<u> </u>
Total tax expense/(credit) for the year	<u>(61)</u>	<u>2,637</u>

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of approximately HK\$178,169,000 (2019: HK\$147,056,000) and the weighted average number of ordinary shares of approximately 2,136,056,000 (2019: approximately 2,136,056,000) in issue during the year.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 July 2020 and 2019.

8. TRADE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	55,387	86,485
Impairment	(12,733)	(7,759)
	<u> </u>	<u> </u>
	<u>42,654</u>	<u>78,726</u>

The Group's trading terms with its customers are mainly on credit and payment in advance is normally required for licensing income and sales of products. The credit period generally ranges from 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of trade receivables, as of the end of the reporting period, based on the payment due date and revenue recognition date (when invoice had yet been issued by then, i.e. unbilled) and net of loss allowances, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Neither past due nor impaired	13,477	19,330
1 to 90 days past due	16,619	48,687
Over 90 days past due	<u>3,140</u>	<u>4,771</u>
	<u>33,236</u>	<u>72,788</u>
Unbilled	<u>9,418</u>	<u>5,938</u>
	<u>42,654</u>	<u>78,726</u>

9. TRADE PAYABLES

An ageing analysis of trade payables based on the invoice date, as at the end of the reporting period, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Less than 30 days	17	680
31 to 60 days	—	16
61 to 90 days	—	—
Over 90 days	<u>58</u>	<u>3,102</u>
	<u>75</u>	<u>3,798</u>

Trade payables are non-interest-bearing and have credit terms generally ranging from 30 to 60 days.

10. LOANS FROM AN INTERMEDIATE HOLDING COMPANY

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Current:			
HK\$100,000,000 term loan	<i>(i)</i>	—	100,000
Non-current:			
HK\$50,000,000 term loan	<i>(ii)</i>	50,000	—
HK\$300,000,000 term loan	<i>(iii)</i>	300,000	—
		350,000	—
		350,000	100,000

Notes:

- (i) On 29 June 2018, the Company and eSun Holdings Limited (“eSun”), an intermediate holding company of the Company, entered into a loan agreement for a term loan facility with a principal amount up to HK\$100 million. The balance was unsecured, interest-bearing at the 3-month Hong Kong Interbank Offered Rate (“HIBOR”) plus 3.3% per annum and repayable on 3 July 2020. The balance was fully settled during the year ended 31 July 2020.
- (ii) On 1 November 2019, the Company and eSun entered into a loan agreement for a term loan facility with a principal amount up to HK\$50 million. The balance is unsecured, interest-bearing at the 3-month HIBOR plus 2.8% per annum and repayable on 31 October 2022.
- (iii) On 11 June 2020, the Company and eSun entered into a loan agreement for a term loan facility with a principal amount up to HK\$300 million. The balance is unsecured, interest-bearing at the 3-month HIBOR plus 2.8% per annum and repayable on 10 June 2023.

11. LOAN FROM A FELLOW SUBSIDIARY

On 10 May 2018, the Company and Hibright Limited, a wholly-owned subsidiary of Lai Sun Development Company Limited (“LSD”), entered into a loan agreement for a term loan facility with a principal amount up to HK\$200 million. LSD is an intermediate holding company of the Company. The balance was unsecured, interest-bearing at the 3-month HIBOR plus 3.3% per annum and repayable on 11 May 2020. On 6 May 2020, the loan agreement was renewed for a term of 3 years and the balance was unsecured, interest-bearing at the 3-month HIBOR plus 2.8% per annum and repayable on 5 May 2023. The balance was fully settled during the year ended 31 July 2020.

12. SHARE CAPITAL

	2020		2019	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>60,000,000</u>	<u>600,000</u>	<u>60,000,000</u>	<u>600,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>2,136,056</u>	<u>21,361</u>	<u>2,136,056</u>	<u>21,361</u>

13. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the year ended 31 July 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 July 2020, the Company and its subsidiaries (the “**Group**”) recorded a turnover of approximately HK\$364,773,000, representing a decrease of 36% from turnover of approximately HK\$573,732,000 for the year ended 31 July 2019. The decrease in the turnover of the Group was mainly attributable to the decrease in revenue from the Group’s entertainment event business.

Cost of sales for the year ended 31 July 2020 decreased to approximately HK\$320,887,000 from approximately HK\$536,421,000 for the previous financial year. The decrease in cost of sales was mainly due to the decrease in the number of events held during the year. Marketing expenses for the year ended 31 July 2020 was approximately HK\$24,047,000 (2019: approximately HK\$20,469,000). The increase in the marketing expenses was related to 5 films produced/invested by the Group theatrically released during the year. Administrative expenses for the year ended 31 July 2020 was approximately HK\$138,419,000 (2019: approximately HK\$142,167,000). These expenses are under strict control by the Company’s management. Other operating expenses increased to approximately HK\$62,421,000 (2019: approximately HK\$21,289,000). Other operating expenses for the year ended 31 July 2020 mainly included: (i) impairment loss of right-of-use assets and property, plant and equipment; (ii) impairment loss of films and TV programs under production; (iii) impairment loss of advances and other receivables; and (iv) exchange loss arising from the depreciation in Renminbi.

Finance costs increased to approximately HK\$17,756,000 for the year ended 31 July 2020 from approximately HK\$15,786,000 for the year ended 31 July 2019. The increase in interest expenses is mainly due to the additional loans from an intermediate holding company and interest on lease liabilities upon adoption of HKFRS 16 from 1 August 2019.

The Group recorded a loss after tax of approximately HK\$187,271,000 (2019: approximately HK\$144,906,000) and a loss attributable to owners of the Company of approximately HK\$178,169,000 (2019: approximately HK\$147,056,000) during the year.

As at 31 July 2020, the Group’s equity attributable to owners of the Company amounted to approximately HK\$40,237,000 (2019: approximately HK\$218,790,000) and the net asset value per share attributable to owners of the Company was HK1.9 cents (2019: HK10.2 cents).

BUSINESS REVIEW

Media and Entertainment Segment

Events management

During the year under review, the Group organised and invested in 39 (2019: 109) shows by popular local, Asian and internationally renowned artistes, including EXO, Ivana Wong, Miriam Yeung and Jan Lamb. The total revenue from these businesses amounted to approximately HK\$68,372,000.

Music

During the year under review, the Group released 9 (2019: 14) albums, including titles by Sammi Cheng, Tang Siu Hau, Jay Fung, Chan Kin On and Nowhere Boys. Turnover from music publishing and recording was approximately HK\$31,079,000.

Artiste management

During the year under review, the Group recorded a turnover of approximately HK\$5,345,000 from artiste management. The Group currently has 23 artistes under its management.

Film and TV Program Segment

Film production and distribution

During the year under review, a total of 5 films produced/invested by the Group were theatrically released, namely “Bodies at Rest”, “Fagara”, “The Climbers”, “A Witness Out of the Blue” and “Knockout”. Turnover from the licence fee income, distribution commission income of films and sale of film products was approximately HK\$140,976,000.

TV program production and distribution

During the year under review, the Group recorded a turnover of approximately HK\$119,001,000 from TV program licence fee income, distribution commission income and sale of TV program products.

CAPITAL STRUCTURE

As at 31 July 2020, the Group’s equity attributable to owners of the Company decreased by 82% to approximately HK\$40,237,000 (as at 31 July 2019: approximately HK\$218,790,000). Total assets amounted to approximately HK\$879,337,000 (as at 31 July 2019: approximately HK\$1,085,246,000) included current assets amounting to approximately HK\$817,782,000 (as at 31 July 2019: approximately HK\$988,797,000). Current liabilities were approximately HK\$498,974,000 (as at 31 July 2019: approximately HK\$878,087,000). Net asset value per share attributable to owners of the Company as at 31 July 2020 was approximately HK1.9 cents (as at 31 July 2019: approximately HK10.2 cents). Current ratio was approximately 1.6 (as at 31 July 2019: approximately 1.1).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with internal resources, loans from an intermediate holding company and loan from a fellow subsidiary. As at 31 July 2020, the Group has unsecured and interest-bearing loans with an outstanding principal amount of approximately of HK\$350,000,000 (as at 31 July 2019: HK\$300,000,000) of which HK\$50,000,000 and HK\$300,000,000 were repayable on 31 October 2022 and 10 June 2023, respectively. As at 31 July 2020, the Group had no unutilised letter of credit facility (as at 31 July 2019: Nil).

As at 31 July 2020, the Group's cash and cash equivalents decreased to approximately HK\$317,692,000 (as at 31 July 2019: approximately HK\$334,996,000) of which around 32% was denominated in Hong Kong dollar, around 62% was denominated in Renminbi ("RMB") and around 6% was denominated in United States dollar, Macanese pataca and Korean won currencies. The RMB denominated balances were placed with licensed banks. The conversion of these RMB balances into foreign currencies and the remittance of such foreign currencies balances, are subject to the rules and regulation of foreign exchange control promulgated by the PRC government. Save for the aforesaid, as at 31 July 2020, the Group did not have any bank loans, overdrafts or any other borrowing. No interests have been capitalised during the year ended 31 July 2020.

As at 31 July 2020, the gearing ratio of the Group, being the total borrowings to shareholders' equity attributable to the owners of the Company, was approximately 870% (as at 31 July 2019: 137%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's exposures to foreign currencies mainly arises from trade receipts from overseas customers and its investment in foreign subsidiaries which are financed internally. In order to mitigate the potential impact of currency fluctuations, the Group closely monitors its foreign currency exposures and uses suitable hedging instruments against significant foreign currency exposures, where necessary. No foreign currency hedge contract was entered into by the Group during the year. As at 31 July 2020, the Group had no outstanding foreign currency hedge contracts (as at 31 July 2019: Nil).

MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

The Group had no material acquisition or disposal of subsidiaries during the year.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 July 2020 (as at 31 July 2019: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 July 2020, the Group had 136 (as at 31 July 2019: 163) employees. Staff costs, including directors' emoluments for the year ended 31 July 2020, amounted to approximately HK\$91,756,000 (2019: approximately HK\$97,995,000). The Group's remuneration policy is basically determined by the performance of individual employees. In general, salary review is conducted annually. Staff benefits, including medical coverage and provident funds, are also provided to employees.

PROSPECTS

The outbreak of novel coronavirus further weakens the entertainment consumption of the PRC and local markets. To rise the challenge we will focus on producing high quality projects with proven track record as well as commercial viability and tightening the cost control procedure.

The Group continues to invest in original production of quality films with Chinese themes. Our recent release “I’m Living It”, a feature film produced by Cheang Pou Soi with Miriam Yeung and Aaron Kwok, has achieved satisfactory box office and earned good public praises amid this pandemic environment. The film has received 10 nominations in the 39th Hong Kong Film Awards and congratulations to Cheung Tat Ming who just won the Best Supporting Actor in the 39th Hong Kong Film Awards for his performance in this movie.

Our current production pipeline include “The Calling of a Bus Driver”, a romance comedy film with Ivana Wong and director Patrick Kong, and “Septet: the Story of Hong Kong”, an omnibus film produced by seven Hong Kong film masters including Johnnie To, Tsui Hark, Ann Hui, Patrick Tam, Sammo Hung, Yuen Woo-Ping and the memorable Ringo Lam.

A 52 episode romance drama series “New Horizon” starring Zheng Kai and Chen Chiao-en, is in the post-production stage. Projects under development include “Modern Dynasty”, a 30 episode modern-day drama series tailor-made for Alibaba’s Youku platforms. The Group is in discussion with various Chinese portals and video web sites for new project development in TV drama production.

The exclusive distribution licence of our music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continue to provide stable income contribution to the Group. The Group is actively looking for new talent in Greater China and further co-operation with Asian artistes with an aim to build up a strong artiste roster.

Several concerts of the Group are postponed due to the health concerns. The Group will continue to work with prominent local and Asian artistes for concert promotion and upcoming events including concerts of Tsai Chin, Yoga Lin and Leon Lai will be held next year in the hope of recovery of the pandemic situation.

Looking forward, we believe that the Group’s integrated media platform comprising movies, TV programs, music, new media, artiste management and live entertainment put us in a strong position to capture the opportunities of China entertainment market by a balanced and synergistic approach and we will continue to explore cooperation and investment opportunities to enrich our portfolio, broaden our income stream and maximise value for our shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules throughout the year ended 31 July 2020 save for the following deviation:

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

Due to other pre-arranged business commitments, Dr. Lam Kin Ngok, Peter, the chairman of the Board, had not attended the annual general meeting of the Company (the “AGM”) held on 20 December 2019. However, Mr. Lui Siu Tsuen, Richard, an executive Director present at that meeting, took the chair pursuant to bye-law 63 of the bye-laws of the Company to ensure effective communication with the shareholders of the Company (the “Shareholders”) thereat.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company’s listed securities during the year ended 31 July 2020.

REVIEW OF FINAL RESULTS

The audit committee of the Company (the “Audit Committee”) currently comprises three independent non-executive Directors, namely Mr. Ng Chi Ho, Dennis (Chairman), Mr. Au Hoi Fung and Mr. Poon Kwok Hing, Albert. The Audit Committee has reviewed the final results (containing the consolidated financial statements) of the Company for the year ended 31 July 2020.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 July 2020 as set out in the preliminary announcement have been agreed by the Company’s auditor to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by the Company’s auditor, Ernst & Young, 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 Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2020 AGM will be held on Friday, 18 December 2020. Notice of the AGM together with the Company's annual report for the year ended 31 July 2020 will be published on the respective websites of GEM and the Company and despatched to the Shareholders in late October 2020.

By Order of the Board
Media Asia Group Holdings Limited
Lam Kin Ngok, Peter
Chairman

Hong Kong, 19 October 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Mr. Chan Chi Kwong, Mr. Lui Siu Tsuen, Richard and Mr. Yip Chai Tuck; and three independent non-executive Directors, namely Mr. Au Hoi Fung, Mr. Ng Chi Ho, Dennis and Mr. Poon Kwok Hing, Albert.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.mediaasia.com.