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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)

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018**

The directors present the condensed consolidated financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2018. The consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the six months ended 30th September 2018, and the consolidated balance sheet of the Group as at 30th September 2018, all of which are unaudited and condensed, along with selected explanatory notes, are set out as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30th September 2018*

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th September</b>	
		<b>2018</b>	<b>2017</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	57,012	46,242
Cost of sales		<u>(42,158)</u>	<u>(49,667)</u>
Gross profit/(loss)		14,854	(3,425)
Other income	6	7,022	7,922
Other (losses)/gains — net	7	(2,313)	5,394
Selling and marketing expenses		(1,925)	(9,284)
Administrative expenses		<u>(44,493)</u>	<u>(29,372)</u>
Operating loss	8	(26,855)	(28,765)
Finance income		650	380
Finance costs		(809)	(93)
Finance (costs)/income — net		(159)	287
Share of net losses of associates		(5,737)	(1,902)
Share of losses of joint ventures		—	(963)
Loss before income tax		(32,751)	(31,343)
Income tax expense	9	(235)	(495)
Loss for the period		<u>(32,986)</u>	<u>(31,838)</u>
Loss attributable to:			
Owners of the Company		(29,742)	(29,928)
Non-controlling interests		(3,244)	(1,910)
		<u>(32,986)</u>	<u>(31,838)</u>
Loss per share	10	<u>(0.50 HK cents)</u>	<u>(0.51 HK cents)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2018

	Unaudited	
	Six months ended	
	30th September	
	2018	2017
	HK\$'000	HK\$'000
<b>Loss for the period</b>	<b>(32,986)</b>	<b>(31,838)</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Surplus on revaluation of buildings	2,616	2,797
Deferred taxation arising from revaluation surplus of buildings	(389)	(431)
<i>Items that may be reclassified to profit or loss</i>		
Fair value losses on available-for-sale financial assets	—	(1,708)
Currency translation differences	(8,270)	(5,020)
<b>Other comprehensive loss for the period, net of tax</b>	<b>(6,043)</b>	<b>(4,362)</b>
<b>Total comprehensive loss for the period</b>	<b>(39,029)</b>	<b>(36,200)</b>
<b>Attributable to:</b>		
— Owners of the Company	(35,785)	(34,290)
— Non-controlling interests	(3,244)	(1,910)
<b>Total comprehensive loss for the period</b>	<b>(39,029)</b>	<b>(36,200)</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2018 and 31st March 2018

		Unaudited 30th September 2018 <i>HK\$'000</i>	Audited 31st March 2018 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights		25,325	25,720
Property, plant and equipment		182,332	184,813
Investment properties		242,336	241,486
Film rights, films in progress and film royalty deposits		181,919	176,176
Interests in associates		12,937	11,121
Interests in joint ventures		4	4
Available-for-sale financial assets		—	3,498
Other receivables and deposits	12	6,063	5,918
		<u>650,916</u>	<u>648,736</u>
<b>Current assets</b>			
Inventories		135	179
Trade and other receivables	12	25,273	44,254
Financial assets at fair value through profit or loss		40,677	41,922
Pledged bank deposits		23,500	23,500
Short-term bank deposits		3,019	1,856
Cash and cash equivalents		34,030	55,406
		<u>126,634</u>	<u>167,117</u>
<b>Total assets</b>		<u><u>777,550</u></u>	<u><u>815,853</u></u>

		<b>Unaudited</b>	Audited
		<b>30th</b>	31st
		<b>September</b>	March
		<b>2018</b>	2018
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>16</i>	<b>118,475</b>	118,475
Share premium		<b>407,428</b>	407,428
Reserves		<b>61,949</b>	97,734
		<hr/>	<hr/>
Shareholders' funds		<b>587,852</b>	623,637
Non-controlling interests		<b>1,447</b>	4,691
		<hr/>	<hr/>
<b>Total equity</b>		<b>589,299</b>	628,328
		<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>14</i>	<b>5,555</b>	6,452
Obligations under finance leases	<i>15</i>	<b>61</b>	144
Deferred income tax liabilities		<b>24,737</b>	24,445
		<hr/>	<hr/>
		<b>30,353</b>	31,041
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>78,118</b>	78,434
Receipts in advance		<b>16,686</b>	25,458
Amounts due to associates		<b>1,624</b>	1,834
Borrowings	<i>14</i>	<b>50,134</b>	39,590
Obligations under finance leases		<b>168</b>	168
Current income tax liabilities		<b>11,168</b>	11,000
		<hr/>	<hr/>
		<b>157,898</b>	156,484
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>188,251</b>	187,525
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>777,550</b>	815,853
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2018

	Attributable to shareholders									
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share redemption 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>
<b>The Group</b>										
At 1st April 2018, as previously reported	118,475	407,428	12	189,009	(1,889)	78,135	2,481	(170,014)	4,691	628,328
Reclassification on adoption of HKFRS9 (note 3)	—	—	—	—	—	—	(2,481)	2,481	—	—
At 1st April 2018, as restated	<u>118,475</u>	<u>407,428</u>	<u>12</u>	<u>189,009</u>	<u>(1,889)</u>	<u>78,135</u>	<u>—</u>	<u>(167,533)</u>	<u>4,691</u>	<u>628,328</u>
<b>Comprehensive loss</b>										
Loss for the period	—	—	—	—	—	—	—	(29,742)	(3,244)	(32,986)
<b>Other comprehensive income/(loss)</b>										
Surplus on revaluation of buildings	—	—	—	—	—	2,616	—	—	—	2,616
Deferred tax arising from revaluation surplus of buildings	—	—	—	—	—	(389)	—	—	—	(389)
Translation of foreign subsidiaries	—	—	—	—	(8,270)	—	—	—	—	(8,270)
<b>Total other comprehensive income/(loss)</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,270)</u>	<u>2,227</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,043)</u>
<b>Total comprehensive income/(loss) for the period</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,270)</u>	<u>2,227</u>	<u>—</u>	<u>(29,742)</u>	<u>(3,244)</u>	<u>(39,029)</u>
At 30th September 2018	<u>118,475</u>	<u>407,428</u>	<u>12</u>	<u>189,009</u>	<u>(10,159)</u>	<u>80,362</u>	<u>—</u>	<u>(197,275)</u>	<u>1,447</u>	<u>589,299</u>

Attributable to shareholders

	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Share redemption reserve <i>HKS'000</i>	Contributed surplus <i>HKS'000</i>	Share- based payment reserve <i>HKS'000</i>	Exchange difference <i>HKS'000</i>	Buildings revaluation reserve <i>HKS'000</i>	Available- for-sale financial assets revaluation reserve <i>HKS'000</i>	Accumulated losses <i>HKS'000</i>	Non- controlling interests <i>HKS'000</i>	Total equity <i>HKS'000</i>
<b>The Group</b>											
At 1st April 2017	118,475	407,428	12	189,009	11,861	8,814	73,048	5,645	(132,716)	6,046	687,622
<b>Comprehensive loss</b>											
Loss for the period	—	—	—	—	—	—	—	—	(29,928)	(1,910)	(31,838)
<b>Other comprehensive income/(loss)</b>											
Surplus on revaluation of buildings	—	—	—	—	—	—	2,797	—	—	—	2,797
Deferred tax arising from revaluation surplus of buildings	—	—	—	—	—	—	(431)	—	—	—	(431)
Fair value losses on available-for-sale financial assets	—	—	—	—	—	—	—	(1,708)	—	—	(1,708)
Translation of foreign subsidiaries	—	—	—	—	—	(5,020)	—	—	—	—	(5,020)
<b>Total other comprehensive income/(loss)</b>	—	—	—	—	—	(5,020)	2,366	(1,708)	—	—	(4,362)
<b>Total comprehensive income/(loss) for the period</b>	—	—	—	—	—	(5,020)	2,366	(1,708)	(29,928)	(1,910)	(36,200)
Share options lapsed	—	—	—	—	(11,861)	—	—	—	11,861	—	—
<b>At 30th September 2017</b>	<u>118,475</u>	<u>407,428</u>	<u>12</u>	<u>189,009</u>	<u>—</u>	<u>3,794</u>	<u>75,414</u>	<u>3,937</u>	<u>(150,783)</u>	<u>4,136</u>	<u>651,422</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September 2018

	Unaudited	
	Six months ended	
	30th September	
	2018	2017
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	6,919	9,518
Income tax paid	(164)	(542)
	<u>6,755</u>	<u>8,976</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(724)	(1,289)
Purchase of film rights, films in progress and film royalty deposits	(22,584)	(74,813)
Interest received	650	380
Investment in an associate	(7,553)	—
Change in short-term deposits	(1,163)	(456)
	<u>(31,374)</u>	<u>(76,178)</u>
<b>Cash flows from financing activities</b>		
Proceeds from bank loans/(repayments of bank loans)	6,487	(678)
Interest paid on loans and overdrafts	(804)	(84)
Interest element of finance leases	(5)	(9)
Repayments of capital element of finance leases	(83)	(154)
	<u>5,595</u>	<u>(925)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(19,024)</b>	<b>(68,127)</b>
Cash and cash equivalents at beginning of period	37,023	123,585
Exchange differences	(5,512)	(1,104)
	<u>12,487</u>	<u>54,354</u>
<b>Cash and cash equivalents at end of period</b>	<b>12,487</b>	<b>54,354</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and cash equivalents	34,030	63,399
Bank overdrafts	(21,543)	(9,045)
	<u>12,487</u>	<u>54,354</u>

# SELECTED NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. General information

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

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

This condensed consolidated interim financial information was approved for issue on 30th November 2018.

## 2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September 2018 has been prepared in accordance with HKAS 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2018, which have been prepared in accordance with HKFRSs.

During the period ended 30th September 2018, the Group incurred a loss before income tax of HK\$32,751,000 and as at 30th September 2018, the Group had net current liabilities of approximately HK\$31,264,000.

The directors are of the opinion that, having taken into account the cash inflow from operating activities, the available banking facilities and other financial resources of the Group, the Group has sufficient financial resources to meet its liabilities as and when they fall due in the coming twelve months from the balance sheet date. Accordingly, the directors believe that the Group will be able to continue as a going concern; and thus have prepared the consolidated financial statements on a going concern basis.

## 3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2018, as described in those annual financial statements, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31st March 2019. Details of the changes in accounting policies are set out below:–

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new HKFRSs and amendments to HKFRSs that are firstly effective for the current accounting period of the Group. Of these, the Group has been impacted by HKFRS 9 — Financial instruments in relation to classification and measurement of financial assets.



HKFRS 9 replaces HKAS 39 — Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1st April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment of the opening equity at 1st April 2018. Therefore, comparative information continues to be reported under HKAS 39.

On 1st April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed business models applicable to the financial assets held by the Group and has reclassified its available-for-sale financial assets as financial assets at fair value through profit or loss. The main effects resulting from this reclassification of financial assets are as follows:

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Available- for-sale financial assets revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>
Opening balance at 1st April 2018				
— HKAS 39	41,922	3,498	2,481	(170,014)
Reclassify from available-for-sale financial assets to financial assets at fair value through profit or loss	<u>3,498</u>	<u>(3,498)</u>	<u>(2,481)</u>	<u>2,481</u>
Opening balance at 1st April 2018				
— HKFRS 9	<u><u>45,420</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>(167,533)</u></u>

Those other new accounting standards, amendments to accounting standards and interpretations which are effective for financial year ending 31st March 2019 are either not relevant to the Group or have no material impact on the Group.

#### 4. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st March 2018.

## 5. Segment information

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

	Unaudited									
	Six months ended 30th September 2018									
	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	Sale and distribution of films and programs in audio visual product format	Property investment	Elimination	Group
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Segment revenue	21,953	9,839	10,962	10,908	2,703	617	30	—	—	57,012
Reportable segment profit/(loss)	(3,847)	(6,682)	(2,953)	(4,888)	(9,017)	(136)	(3,017)	5,988	123	(24,429)
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	(307)	(81)	(761)	(252)	(47)	—	(162)	—	—	(1,610)
Fair value gain on revaluation of investment properties	—	—	—	—	—	—	—	2,430	—	2,430
Amortisation for film rights	(7,269)	(7,553)	—	—	—	—	—	—	123	(14,699)
Share of losses of an associate	—	—	—	—	(5,983)	—	—	—	—	(5,983)
Additions to property, plant and equipment	41	—	654	1	—	—	14	—	—	710
Additions to film rights, films in progress and film royalty deposits	6,546	16,038	—	—	—	—	—	—	—	22,584
As at 30th September 2018										
Reportable segment assets	37,807	180,693	10,153	7,071	4,881	1,383	1,910	251,210	—	495,108
Reportable segment liabilities	(19,097)	(48,818)	(14,654)	(10,501)	(3,002)	(15)	(1,691)	(29,224)	—	(127,002)

Unaudited  
Six months ended 30th September 2017

	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	Sale and distribution of films and programs in audio visual product format	Property investment	Elimination	Group
	<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>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	20,081	9,518	11,725	3,908	—	76	934	—	—	46,242
Reportable segment profit/(loss)	(5,320)	(21,005)	(710)	(4,006)	(5,875)	(408)	(72)	13,518	29	(23,849)
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	(33)	(39)	(762)	—	(218)	—	(190)	—	—	(1,242)
Fair value gain on revaluation of investment properties	—	—	—	—	—	—	—	10,560	—	10,560
Amortisation for film rights	(7,830)	(5,708)	—	—	—	—	—	—	25	(13,513)
Provision for impairment of film rights	—	13,752	—	—	—	—	—	—	—	13,752
Share of losses of										
— An associate	—	—	—	—	(2,947)	—	—	—	—	(2,947)
— A joint venture	—	—	—	—	(963)	—	—	—	—	(963)
Additions to property, plant and equipment	45	788	163	—	28	—	—	—	—	1,024
Additions to film rights, films in progress and film royalty deposits	6,890	67,901	—	—	—	—	—	—	—	74,791
As at 31st March 2018										
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)

**Profit or loss**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Reportable segment loss	(24,429)	(23,849)
Unallocated amounts:		
Unallocated other income	1,759	1,877
Unallocated other (losses)/gains	(4,743)	(5,166)
Unallocated finance income — net	(450)	187
Depreciation and amortisation of property, plant and equipment and leasehold land and land use rights	(3,393)	(3,159)
Unallocated share of profits of associates	246	1,045
Unallocated corporate expenses	(1,741)	(2,278)
Loss before income tax	<u>(32,751)</u>	<u>(31,343)</u>
	<b>Unaudited</b>	<b>Audited</b>
	<b>30th</b>	<b>31st</b>
	<b>September</b>	<b>March</b>
	<b>2018</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Assets</b>		
Reportable segment assets	495,108	550,255
Unallocated assets:		
Unallocated property, plant and equipment and leasehold land and land use rights	207,251	203,645
Unallocated available-for-sale financial assets	—	3,498
Unallocated financial assets at fair value through profit or loss	40,677	41,922
Unallocated cash and cash equivalents	23,500	112
Unallocated interests in and amounts due from associates	10,811	11,125
Unallocated corporate assets	203	5,296
<b>Total assets</b>	<u>777,550</u>	<u>815,853</u>
<b>Liabilities</b>		
Reportable segment liabilities	127,002	137,422
Unallocated liabilities:		
Unallocated bank borrowings	55,899	46,042
Unallocated amounts due to associates	1,624	1,834
Unallocated corporate liabilities	3,726	2,227
<b>Total liabilities</b>	<u>188,251</u>	<u>187,525</u>

**Secondary reporting format — geographical segment**

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

	<b>Revenues from external customers</b>	
	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>19,236</b>	19,738
People's Republic of China	<b>14,049</b>	12,315
Taiwan	<b>4,471</b>	4,550
Other countries	<b>19,256</b>	9,639
	<b>57,012</b>	46,242
	<b>57,012</b>	46,242
	<b>Non-current assets</b>	
	<b>(other than financial assets)</b>	
	<b>Unaudited</b>	Audited
	<b>30th</b>	31st
	<b>September</b>	March
	<b>2018</b>	2018
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>456,033</b>	449,907
People's Republic of China	<b>141,427</b>	141,235
Taiwan	<b>26,099</b>	27,244
Other countries	<b>21,294</b>	20,934
	<b>644,853</b>	639,320
	<b>644,853</b>	639,320

*Note (a)*

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

## 6. Other income

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividend income from available-for-sale financial assets	1,759	1,877
Rental income	4,375	4,157
Management fee and other income	888	1,888
	<u>7,022</u>	<u>7,922</u>

## 7. Other (losses)/gains — net

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Surplus on revaluation of investment properties	2,430	10,560
Fair value losses on financial assets at fair value through profit or loss	(4,743)	(5,166)
	<u>(2,313)</u>	<u>5,394</u>

## 8. Expenses by nature

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Amortisation of film rights	14,699	13,513
Amortisation of leasehold land and land use rights	395	394
Cost of goods sold	267	412
Depreciation of property, plant and equipment	4,608	4,008
Employee benefit expenses	22,155	20,234
Provision for impairment of film rights	—	13,752
	<u>—</u>	<u>13,752</u>

## 9. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period.

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax	<b>332</b>	350
Deferred income tax	<b>(97)</b>	145
	<hr/>	<hr/>
	<b>235</b>	<b>495</b>
	<hr/> <hr/>	<hr/> <hr/>

## 10. Loss per share

### (a) *Basic*

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of HK\$29,742,000 (2017: HK\$29,928,000) and on the weighted average of 5,923,739,000 (2017: 5,923,739,000) ordinary shares in issue during the period.

### (b) *Diluted*

For the six months ended 30th September 2018, the diluted loss per share was the same as the basic loss per share as there were no outstanding potential ordinary shares during the period.

For the six months ended 30th September 2017, the potential additional ordinary shares are anti-dilutive and accordingly diluted loss per share is the same as the basic loss per share.

## 11. Dividends

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2018 (2017: Nil).

## 12. Trade and other receivables

	<b>Unaudited 30th September 2018 HK\$'000</b>	<b>Audited 31st March 2018 HK\$'000</b>
Trade receivables	37,157	45,711
Less: provision for impairment of receivables	<u>(20,868)</u>	<u>(20,868)</u>
Trade receivables — net	<b>16,289</b>	24,843
Prepayments	1,904	6,464
Other receivables and deposits	<u>13,143</u>	<u>18,865</u>
	<b>31,336</b>	50,172
Less: Other receivables and deposits — non current portion	<u>(6,063)</u>	<u>(5,918)</u>
Current portion	<u><b>25,273</b></u>	<u>44,254</u>

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

	<b>Unaudited 30th September 2018 HK\$'000</b>	<b>Audited 31st March 2018 HK\$'000</b>
Current to 3 months	7,384	24,843
4 to 6 months	8,905	—
Over 6 months	<u>20,868</u>	<u>20,868</u>
	<u><b>37,157</b></u>	<u>45,711</u>

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

## 13. Trade and other payables

	<b>Unaudited 30th September 2018 HK\$'000</b>	<b>Audited 31st March 2018 HK\$'000</b>
Trade payables	4,596	2,412
Other payables and accruals	<u>73,522</u>	<u>76,022</u>
	<u><b>78,118</b></u>	<u>78,434</u>



The ageing analysis of trade payables is as follows:

	<b>Unaudited 30th September 2018 HK\$'000</b>	<b>Audited 31st March 2018 HK\$'000</b>
Current to 3 months	4,265	2,081
4 to 6 months	—	—
Over 6 months	331	331
	<u>4,596</u>	<u>2,412</u>

#### 14. Borrowings

	<b>Unaudited 30th September 2018 HK\$'000</b>	<b>Audited 31st March 2018 HK\$'000</b>
Bank overdrafts — secured	21,543	18,383
Secured bank loans — current portion	28,591	21,207
Bank borrowings — current portion	50,134	39,590
Secured bank loans — non-current portion	5,555	6,452
Total borrowings	<u>55,689</u>	<u>46,042</u>

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

	<b>Unaudited 30th September 2018 HK\$'000</b>	<b>Audited 31st March 2018 HK\$'000</b>
Within 1 year	50,134	39,590
Between 1 to 2 years	1,523	1,606
Between 2 to 5 years	4,032	4,846
	<u>55,689</u>	<u>46,042</u>

## 15. Obligations under finance leases

Obligations under finance leases are repayable in the following periods:

	<b>Unaudited 30th September 2018 HK\$'000</b>	<b>Audited 31st March 2018 HK\$'000</b>
Gross finance lease liabilities — minimum lease payments		
Within 1 year	176	176
Later than 1 year and no later than 5 years	<u>59</u>	<u>147</u>
	235	323
Future finance charges on finance leases	<u>(6)</u>	<u>(11)</u>
	<b><u>229</u></b>	<b><u>312</u></b>

The present value of finance lease liabilities are repayable as follows:

Within 1 year	168	168
Later than 1 year and no later than 5 years	<u>61</u>	<u>144</u>
	<b><u>229</u></b>	<b><u>312</u></b>

## 16. Share capital

	<b>Number of ordinary shares</b>		<b>Ordinary shares</b>	
	<b>Unaudited 30th September 2018 '000</b>	<b>Audited 31st March 2018 '000</b>	<b>Unaudited 30th September 2018 HK\$'000</b>	<b>Audited 31st March 2018 HK\$'000</b>
Authorised	<b><u>15,000,000</u></b>	<b><u>15,000,000</u></b>	<b><u>300,000</u></b>	<b><u>300,000</u></b>
Issued and fully paid	<b><u>5,923,739</u></b>	<b><u>5,923,739</u></b>	<b><u>118,475</u></b>	<b><u>118,475</u></b>

## 17. Capital commitments

As at 30th September 2018, the Group had contracted commitments but not provided for in the financial information as follows:

	<b>Unaudited 30th September 2018 HK\$'000</b>	<b>Audited 31st March 2018 HK\$'000</b>
Film rights, films in progress and film royalty deposits	23,110	72,875
Investments	—	61,306
Licenses	—	5,225
	<u>23,110</u>	<u>139,406</u>

## 18. Operating lease commitments

### (a) Operating lease commitments — Group company as lessee

The Group leases certain offices and premises under theatre operations under non-cancellable operating lease agreements. The lease terms are between 15 to 20 years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>Unaudited 30th September 2018 HK\$'000</b>	<b>Audited 31st March 2018 HK\$'000</b>
Within 1 year	6,163	6,926
Later than 1 year and no later than 5 years	25,333	27,817
Later than 5 years	47,112	55,607
	<u>78,608</u>	<u>90,350</u>

**(b) Operating lease commitments — Group company as lessor**

The Group leases its investment properties to certain customers under non-cancellable operating leases. The lease terms are between 2 to 3 years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>Unaudited 30th September 2018 HK\$'000</b>	<b>Audited 31st March 2018 HK\$'000</b>
Within 1 year	<b>5,105</b>	2,631
Later than 1 year and no later than 5 years	<b>3,692</b>	2,844
	<b>8,797</b>	5,475

**19. Related party transactions**

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

	<b>Unaudited Six months ended 30th September 2018 HK\$'000</b>	<b>2017 HK\$'000</b>
Playout, post-production and origination services payable to an associated company	<b>4,663</b>	6,991
Rental income receivable from associated companies	<b>727</b>	487
Management fee income receivable from an associated company	<b>122</b>	122
Interest income receivable from an associated company	<b>233</b>	233
Other administrative costs payable to an associated company	<b>368</b>	368

**INTERIM DIVIDEND**

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2018 (2017: Nil).

**BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS**

During the six months ended 30th September 2018, the Group recorded a consolidated revenue of HK\$57,012,000 (2017: HK\$46,242,000), gross profit of HK\$14,854,000 (2017: gross loss of HK\$3,425,000) and a loss attributable to owners of the Company of HK\$29,742,000 (2017: HK\$29,928,000). Gross loss for the prior period was mainly attributable to a provision for impairment of film rights amounting to approximately HK\$13.8 million whilst there was no such provision for the current period.

The contribution of revenues from the Group's television segment for the period increased from approximately HK\$20.1 million to HK\$21.9 million. As at 30th September 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, a movie channel through the TVB pay vision in Hong Kong and iQIYI platform in the PRC.

In 2009, the Group entered into an agreement with HBO Asia to jointly launch a dedicated Asian channel "Red by HBO" distributing in various markets in Asia. In 2018, the Group concluded two additional agreements with HBO Asia to expand and deepen the cooperation. The additional agreements essentially expand the cooperation from traditional TV channel service to new media on-line businesses and extend the cooperation term for 5 years to 2022. In addition, channel service in Singapore traditional TV platforms and OTT platforms, which is considered to be one of the most important media markets in Asia, will be launched commencing January 2019.

Through the expansion of the cooperation with HBO Asia and the existing cooperations with other major media groups in the region, the Group has well positioned ourselves as one of the most important content providers to provide contents to both the traditional and new media platforms in Greater China and Asia. We believe the media industry is in the process of transforming from traditional TV channel business to new media business and creates a golden chance for the Group to expand its media businesses rapidly.

The other channels have also provided steadily contributions to the Group. Looking forward, the Group will continue to explore opportunities to develop channels with other operators and other media platforms.

The contribution of revenues from the Group's film exhibition and film rights licensing and sub-licensing segment increased slightly from approximately HK\$9.5 million to HK\$9.8 million. 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.

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 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\$10.9 million (2017: HK\$11.7 million) in aggregate during the period. The drop is mainly due to the increased nearby competition. The Group is in the progress of constructing a new theatre in Guangzhou with 9 screens and approximately 1,300 seats.

During the period, the Group's operating segment of concert performance contributed revenues of approximately HK\$10.9 million (2017: HK\$3.9 million) as more events were held during the period. The Group is of the view that this segment will continue to bring increasing contribution to the Group.

In respect of the mobile games applications and video online segment, the Group has launched its video website and mobile apps, 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 contributed revenue of approximately HK\$607,000 (2017: HK\$76,000) during the period. 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 sale and distribution of films and programs in audio and visual product format was minimal for the period.

The Group's channel management operations are conducted through its associated company, namely IST 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 period, following the changes in the investment market conditions, the Group's financial assets at fair value through profit and loss turned to record an fair value loss of approximately HK\$4.7 million (2017: HK\$5.2 million). The investment properties portfolio of the Group contributed a surplus on revaluation of approximately HK\$2.4 million (2017: HK\$10.6 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 period ended 30th September 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 30th September 2018, the Group has available banking facilities of approximately HK\$71 million, of which approximately HK\$55.7 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\$115 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 9.5% as at 30th September 2018 was based on the total of bank loans and obligations under finance leases of HK\$55,918,000 (of which HK\$50,302,000, HK\$1,584,000 and HK\$4,032,000 are repayable within one year, in the second year and in the third to fifth year respectively) and the shareholders' funds of approximately HK\$587,852,000. 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 period ended 30th September 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 30th September 2018, the Group had commitments in respect of film production, film and program licensing agreements amounting to approximately HK\$23 million. The commitments will be financed by the Group's internal resources and banking and other available facilities.

### **Employees**

At 30th September 2018, the Group employed 137 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\$22.1 million were charged to the profit and loss during the period.

### **COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30th September 2018, the Group has complied with the code provisions set out in the Code of Corporate Governance Practices under Appendix 14 of the Listing Rules, with the exception of the deviation in respect of the appointment term of non-executive directors.

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

## **COMPLIANCE WITH THE MODEL CODE**

During the six months ended 30th September 2018, the Group has adopted the code of conduct regarding the directors' securities transactions on terms no less exacting than the required standard set out in the Model Code under Appendix 10 of the Listing Rules and having made specific enquiry of all directors, the directors of the Company have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30th September 2018.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee") comprising the three independent non-executive directors of the Company. The Audit Committee has reviewed the interim results of the Group for the six months ended 30th September 2018.

On behalf of the Board

**Li Kuo Hsing**

*Chairman*

30th November 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. Lam Lee G., Mr. Guo Yan Jun and Mr. Leung Tak Sing, Dominic.*