



Mei Ah Entertainment Group Limited

STOCK CODE: 391



MEI AH  
Entertainment

Interim Report  
2013/2014



The directors present the condensed consolidated financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2013. The consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th September 2013, and the consolidated interim balance sheet of the Group as at 30th September 2013, all of which are unaudited and condensed, along with selected explanatory notes, are set out as follows:

## Condensed Consolidated Income Statement

For the six months ended 30th September 2013

		Unaudited Six months ended 30th September	
		2013	2012
	Note	HK\$'000	HK\$'000
Turnover	4	61,985	365,733
Cost of sales		(32,001)	(316,833)
Gross profit		29,984	48,900
Other income	5	5,834	5,934
Other gains/(losses) — net	6	12,558	15,695
Selling and marketing expenses		(1,737)	(47,828)
Administrative expenses		(34,575)	(33,808)
Operating profit/(loss)	7	12,064	(11,107)
Finance income		1,353	337
Finance costs		(402)	(626)
Finance income/(costs) — net		951	(289)
Share of profit of associated companies		—	—
Profit/(loss) before income tax		13,015	(11,396)
Income tax credit/(expense)	8	63	(3,088)
Profit/(loss) for the period		13,078	(14,484)
Profit/(loss) attributable to:			
Equity holders of the Company		13,141	(16,275)
Non-controlling interests		(63)	1,791
		13,078	(14,484)
Earnings/(loss) per share	9		
Basic		0.23 cents	(0.29 cents)
Diluted		0.23 cents	(0.29 cents)

## Consolidated Statement of Comprehensive Income

For the six months ended 30th September 2013

	Unaudited Six months ended 30th September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit/(loss) for the period</b>	13,078	(14,484)
<b>Other comprehensive (loss)/income</b>		
Surplus on revaluation of buildings	2,337	3,743
Deferred taxation arising from revaluation surplus of buildings	(349)	(455)
Fair value losses on available-for-sale financial assets	(3,617)	(2,798)
Currency translation differences	238	(199)
<b>Other comprehensive (loss)/income for the period, net of tax</b>	(1,391)	291
<b>Total comprehensive income/(loss) for the period</b>	11,687	(14,193)
<b>Attributable to:</b>		
— Equity holders of the Company	11,750	(15,984)
— Non-controlling interests	(63)	1,791
<b>Total comprehensive income/(loss) for the period</b>	11,687	(14,193)



## Condensed Consolidated Interim Balance Sheet

As at 30th September 2013 and 31st March 2013

		Unaudited 30th September 2013	Audited 31st March 2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights		29,266	29,660
Freehold land and land use rights		16,962	—
Property, plant and equipment		197,096	181,643
Intangible assets		302	403
Investment properties		224,904	223,501
Interests in associated companies		780	773
Available-for-sale financial assets		5,529	9,146
Film rights, films in progress and film royalty deposits		71,559	46,697
Other receivables	<i>11</i>	5,358	11,562
		<b>551,756</b>	<b>503,385</b>
<b>Current assets</b>			
Inventories		—	684
Trade and other receivables	<i>11</i>	28,199	38,022
Amounts due from associated companies		11,432	12,397
Financial assets at fair value through profit and loss		42,703	32,722
Pledged bank deposits		23,500	23,500
Cash and cash equivalents		86,346	100,363
		<b>192,180</b>	<b>207,688</b>
<b>Total assets</b>		<b>743,936</b>	<b>711,073</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>14</i>	112,661	112,661
Share premium		126,733	126,733
Reserves		339,103	327,353
		<b>578,497</b>	<b>566,747</b>
Shareholders' funds		578,497	566,747
Non-controlling interests		8,693	8,756
<b>Total equity</b>		<b>587,190</b>	<b>575,503</b>

		<b>Unaudited 30th September 2013</b>	Audited 31st March 2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	13	13,005	—
Deferred income tax liabilities		17,528	17,862
		<b>30,533</b>	17,862
<b>Current liabilities</b>			
Trade and other payables	12	64,651	72,817
Receipts in advance		16,855	24,090
Borrowings	13	32,979	9,048
Current income tax liabilities		11,728	11,753
		<b>126,213</b>	117,708
<b>Total liabilities</b>		<b>156,746</b>	135,570
<b>Total equity and liabilities</b>		<b>743,936</b>	711,073
<b>Net current assets</b>		<b>65,967</b>	89,980
<b>Total assets less current liabilities</b>		<b>617,723</b>	593,365



## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September 2013

	Attributable to shareholders									
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Exchange difference	Buildings revaluation reserve	Available-for-sale financial assets revaluation reserve	Retained earnings	Non-controlling interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
<b>The Group</b>										
At 1st April 2013	112,661	126,733	12	189,009	2,027	50,400	7,543	78,362	8,756	575,503
<b>Comprehensive income</b>										
Profit/(loss) for the period	—	—	—	—	—	—	—	13,141	(63)	13,078
<b>Other comprehensive income/(loss)</b>										
Fair value losses on available-for-sale financial assets	—	—	—	—	—	—	(3,617)	—	—	(3,617)
Surplus on revaluation of buildings	—	—	—	—	—	2,337	—	—	—	2,337
Deferred tax arising from revaluation surplus of buildings	—	—	—	—	—	(349)	—	—	—	(349)
Translation of foreign subsidiaries	—	—	—	—	238	—	—	—	—	238
<b>Total other comprehensive income/(loss)</b>	—	—	—	—	238	1,988	(3,617)	—	—	(1,391)
<b>Total comprehensive income/(loss) for the period</b>	—	—	—	—	238	1,988	(3,617)	13,141	(63)	11,687
At 30th September 2013	112,661	126,733	12	189,009	2,265	52,388	3,926	91,503	8,693	587,190

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	Attributable to shareholders									
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Exchange difference	Buildings revaluation reserve	Available-for-sale financial assets revaluation reserve	Retained earnings	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>The Group</b>										
At 1st April 2012, as previously reported	112,661	126,733	12	189,009	1,889	41,187	10,519	112,756	6,170	600,936
Adjustment of change in accounting policy — IAS/HKAS 12	—	—	—	—	—	—	—	14,652	—	14,652
At 1st April 2012, as restated	112,661	126,733	12	189,009	1,889	41,187	10,519	127,408	6,170	615,588
<b>Comprehensive income</b>										
Profit/(loss) for the period	—	—	—	—	—	—	—	(16,275)	1,791	(14,484)
<b>Other comprehensive income/(loss)</b>										
Fair value losses on available-for-sale financial assets	—	—	—	—	—	—	(2,798)	—	—	(2,798)
Surplus on revaluation of buildings	—	—	—	—	—	3,743	—	—	—	3,743
Deferred tax arising from revaluation surplus of buildings	—	—	—	—	—	(455)	—	—	—	(455)
Translation of foreign subsidiaries	—	—	—	—	(199)	—	—	—	—	(199)
<b>Total other comprehensive income/(loss)</b>	—	—	—	—	(199)	3,288	(2,798)	—	—	291
<b>Total comprehensive income/(loss) for the period</b>	—	—	—	—	(199)	3,288	(2,798)	(16,275)	1,791	(14,193)
<b>Transactions with owners</b>										
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	2,681	2,681
<b>At 30th September 2012</b>	112,661	126,733	12	189,009	1,690	44,475	7,721	111,133	10,642	604,076



## Condensed Consolidated Cash Flow Statement

For the six months ended 30th September 2013

	Unaudited Six months ended 30th September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	21,781	(6,635)
Net cash outflow from investing activities	(74,900)	(5,734)
Net cash inflow from financing activities	24,971	1,799
Decrease in cash and cash equivalents	(28,148)	(10,570)
Cash and cash equivalents at the beginning of the period	100,315	34,958
Exchange differences	2,568	—
Cash and cash equivalents at the end of the period	74,735	24,388
Analysis of balances of cash and cash equivalents:		
Cash at bank, on hand and short-term bank deposits	86,346	34,903
Bank overdrafts	(11,611)	(10,515)
	74,735	24,388



## Selected Notes to Condensed Consolidated Interim Financial Information

### 1. General information

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

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 29th November 2013.

### 2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September 2013 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 2013, which have been prepared in accordance with HKFRSs.

### 3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2013, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Those new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 31st March 2014 are either not relevant to the Group or have no material impact on the Group.



#### 4. 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								Group
	Six months ended 30th September 2013								
	Television operations	Film exhibition and film rights licensing and sub-licensing	Sale and distribution of films and programs in audio visual product format	Artiste management	Theatre operations	Property investment	Video online	Elimination	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Segment revenue	27,280	26,582	3,245	779	4,099	—	—	—	61,985
Reportable segment profit/(loss)	9,235	(3,613)	(878)	108	(5,082)	4,211	(3,424)	427	984
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	(73)	(647)	(305)	—	(2,129)	—	(293)	—	(3,447)
Amortisation for film rights	(4,002)	(18,597)	—	—	—	—	(588)	527	(22,660)
Additions to property, plant and equipment	—	967	—	—	10,196	—	186	—	11,349
Additions to film rights, films in progress and film royalty deposits	4,169	42,765	—	—	—	—	588	—	47,522
As at 30th September 2013									
Reportable segment assets	28,964	161,009	25,894	1,210	35,638	227,646	2,860	2	483,223
Reportable segment liabilities	(15,768)	(51,799)	(7,338)	(919)	(7,003)	(19,989)	(6,498)	—	(109,314)

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	Film exhibition and film rights licensing and sub-licensing		Sale and distribution of films and programs in audio visual product format	Artiste management	Theatre operations	Property investment	Video online	Elimination	Group
	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000
	<i>(note (a))</i>								
External sales	28,553	318,861	7,944	6,294	4,081	—	—	—	365,733
Inter-segment sales	—	195	—	—	—	—	—	(195)	—
Segment revenue	28,553	319,056	7,944	6,294	4,081	—	—	(195)	365,733
Reportable segment profit/(loss)	(8,445)	(17,750)	(1,218)	5,168	(4,127)	26,851	—	214	693
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	(137)	(185)	(317)	—	(2,067)	—	—	—	(2,706)
Amortisation for film rights	(7,004)	(71,740)	(381)	—	—	—	—	409	(78,716)
Provisions for impairment of film rights	(14,876)	(11,593)	—	—	—	—	—	—	(26,469)
Additions to property, plant and equipment	23	74	—	—	1,637	—	—	—	1,734
Additions to film rights, films in progress and film royalty deposits	5,283	23,801	139	—	—	—	—	(194)	29,029
As at 31st March 2013	25,890	156,939	30,864	2,120	26,216	224,761	2,941	(525)	469,206
Reportable segment assets	(29,425)	(54,356)	(5,128)	(724)	(6,476)	(20,351)	(8,219)	—	(124,769)
Reportable segment liabilities									



*Profit or loss*

	<b>Unaudited Six months ended 30th September</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment profit	984	693
Unallocated amounts:		
Unallocated other income	1,093	1,118
Unallocated other gains/(losses) — net	11,440	(8,218)
Unallocated finance income/(costs) — net	973	(160)
Depreciation and amortisation of property, plant and equipment and leasehold land and land use rights	(573)	(2,252)
Unallocated corporate expenses	(902)	(2,577)
<b>Profit/(loss) before income tax</b>	<b>13,015</b>	<b>(11,396)</b>
Additions to property, plant and equipment		
Attributable to reportable segments	11,349	1,734
Unallocated additions	24,977	221
	<b>36,326</b>	<b>1,955</b>
	<b>Unaudited 30th September 2013</b>	Audited 31st March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>		
Reportable segment assets	483,223	469,206
Unallocated assets:		
Unallocated property, plant and equipment and leasehold land and land use rights	193,492	169,403
Unallocated available-for-sale financial assets	5,529	9,146
Unallocated financial assets at fair value through profit or loss	42,703	32,722
Unallocated cash and cash equivalents	202	3,790
Unallocated interests in and amounts due from associated companies	11,432	13,170
Unallocated corporate assets	7,355	13,636
<b>Total assets per consolidated balance sheet</b>	<b>743,936</b>	<b>711,073</b>
<b>Liabilities</b>		
Reportable segment liabilities	109,314	124,769
Unallocated liabilities:		
Unallocated bank borrowings	45,984	9,048
Unallocated corporate liabilities	1,448	1,753
<b>Total liabilities per consolidated balance sheet</b>	<b>156,746</b>	<b>135,570</b>

*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 interests in associated companies and financial instruments located in Hong Kong and other countries are summarized below:

	<b>Revenues from external customers Unaudited Six months ended 30th September</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	25,657	40,434
Singapore	8,190	9,783
People's Republic of China	14,211	304,836
Taiwan	6,479	2,344
Other countries	7,448	8,336
	<b>61,985</b>	<b>365,733</b>

	<b>Non-current assets (other than interests in associated companies and financial instruments)</b>	
	<b>Unaudited 30th September 2013</b>	Audited 31st March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	346,216	303,402
People's Republic of China	172,280	161,105
Other countries	21,593	23,533
	<b>540,089</b>	<b>488,040</b>

*Note (a)*

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



5. Other income

	Unaudited Six months ended 30th September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income from available-for-sale financial assets	1,093	1,118
Rental income	3,102	3,233
Management fee and other income	1,639	1,583
	<b>5,834</b>	<b>5,934</b>

6. Other gains/(losses) — net

	Unaudited Six months ended 30th September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Surplus on revaluation of investment properties	1,118	23,913
Fair value gains/(losses) on financial assets at fair value through profit or loss	10,616	(8,429)
Gain on disposal of available-for-sale financial assets	824	211
	<b>12,558</b>	<b>15,695</b>

7. **Expenses by nature**

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

	<b>Unaudited Six months ended 30th September</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of film rights	22,660	78,716
Patent rights	96	3,900
Provision for impairment of film rights and films in progress	—	26,469
Amortisation of leasehold land and land use rights	394	394
Depreciation of property, plant and equipment	3,626	4,564
Cost of goods sold	1,114	1,736
Wages and salaries	17,094	16,289

8. **Taxation**

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 Six months ended 30th September</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax — Hong Kong profits tax	620	1,400
Deferred income tax	(683)	1,688
	<b>(63)</b>	<b>3,088</b>

9. **Earnings/(loss) per share**

The calculation of basic earnings/(loss) per share is based on the Group's profit/(loss) attributable to equity holders of the Company of HK\$13,141,000 (2012: loss of HK\$16,275,000) and on the weighted average of 5,633,035,000 (2012: 5,633,035,000) ordinary shares in issue during the period.

Diluted earnings/(loss) per share for the six months ended 30th September 2013 and 2012 were the same as the basic earnings/(loss) per share as there were no diluting event during the period.



#### 10. Dividends

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2013 (2012: Nil).

#### 11. Trade and other receivables

	<b>Unaudited 30th September 2013</b>	Audited 31st March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	29,974	51,984
<i>Less:</i> provision for impairment of receivables	(23,101)	(22,596)
Trade receivables — net	<b>6,873</b>	29,388
Prepayments	2,027	2,995
Deposits and other receivables	24,657	17,201
	<b>33,557</b>	49,584
<i>Less:</i> Other receivables — non current portion	(5,358)	(5,426)
Deposit for acquisition of land and building		
— non current portion	—	(6,136)
Current portion	<b>28,199</b>	38,022

The ageing analysis of trade receivables is as follows:

	<b>Unaudited 30th September 2013</b>	Audited 31st March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	3,806	4,577
4 to 6 months	780	1,290
Over 6 months	25,388	46,117
	<b>29,974</b>	51,984

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



12. Trade and other payables

	<b>Unaudited 30th September 2013</b>	Audited 31st March 2013
	<i>HKS'000</i>	<i>HKS'000</i>
Trade payables	5,143	4,157
Other payables and accruals	59,508	68,660
	<b>64,651</b>	<b>72,817</b>

The ageing analysis of trade payables is as follows:

	<b>Unaudited 30th September 2013</b>	Audited 31st March 2013
	<i>HKS'000</i>	<i>HKS'000</i>
Current to 3 months	1,205	2,149
4 to 6 months	—	78
Over 6 months	3,938	1,930
	<b>5,143</b>	<b>4,157</b>



13. Borrowings

	<b>Unaudited 30th September 2013</b>	Audited 31st March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts — secured	11,611	48
Secured bank loans — current portion	21,368	9,000
Bank borrowings — current portion	32,979	9,048
Secured bank loans — non-current portion	13,005	—
<b>Total borrowings</b>	<b>45,984</b>	<b>9,048</b>

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

	<b>Unaudited 30th September 2013</b>	Audited 31st March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	32,979	9,048
Between 1 to 2 years	1,397	—
Between 2 to 5 years	4,374	—
Later than 5 years	38,750	9,048
	7,234	—
	<b>45,984</b>	<b>9,048</b>

14. Share capital

	Number of ordinary shares		Ordinary shares	
	Unaudited 30th September 2013	Audited 31st March 2013	Unaudited 30th September 2013	Audited 31st March 2013
	'000	'000	HK\$'000	HK\$'000
Authorised	15,000,000	15,000,000	300,000	300,000
Issued and fully paid	5,633,035	5,633,035	112,661	112,661

15. Contingent liabilities

At 30th September 2013, the Company had contingent liabilities of guarantees given to banks in respect of banking facilities granted to subsidiaries to the extent of approximately HK\$41,000,000 (31st March 2013: HK\$32,000,000).

16. Capital commitments

As at 30th September 2013, the Group had contracted commitments but not provided for in the financial information as follows:

	Unaudited 30th September 2013	Audited 31st March 2013
	HK\$'000	HK\$'000
Commitments in respect of		
— property, plant and equipment	6,932	26,318
— film rights, films in progress and film royalty deposits	57,201	4,951
	64,133	31,269



17. Operating lease commitments

(a) Operating lease commitments — Group company as lessee

The Group leases certain of its offices and premises under non-cancellable operating lease agreements. The lease terms are between 1 to 20 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited 30th September 2013	Audited 31st March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	7,212	5,646
Later than 1 year and no later than 5 years	38,516	32,529
Later than 5 years	92,729	107,216
	<b>138,457</b>	<b>145,391</b>

(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 4 years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited 30th September 2013	Audited 31st March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	2,667	3,285
Later than 1 year and no later than 5 years	1,441	392
	<b>4,108</b>	<b>3,677</b>

**18. 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</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Post-production and origination services payable to an associated company	1,915	2,240
Playout services payable to an associated company	1,729	1,475
Rental income receivable from an associated company	367	367
Management fee income receivable from an associated company	122	122
Other administrative costs payable to an associated company	65	65



## Interim Dividend

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2013 (2012: Nil).

## Business Review and Management Discussion and Analysis

During the six months ended 30th September 2013, the Group recorded an unaudited consolidated turnover of HK\$61,985,000 (2012: HK\$365,733,000) and a profit attributable to equity holders of the Company of HK\$13,141,000 (2012: loss of HK\$16,275,000).

The contribution of revenues from the Group's film exhibition and film rights licensing and sublicensing segment was decreased from HK\$319 million to HK\$27 million, which was mainly attributable to the absence of certain new titles released during the same period last year, including "Silent War", "Lan Kwai Fong 2" and "Love in the Buff" which contributed significant theatrical revenues to the Group last year. Due to the absence of provision for impairment of certain titles made in the same period last year, the segment loss was dropped from HK\$18 million last year to HK\$3.6 million this year.

The Group will continue to strengthen its film library through acquisition, own production and co-production, as at 30th September 2013, a number of new titles were in progress and they are expected to be released in the second half of the financial year and the forthcoming financial year.

Besides self producing and investing, the Group also makes use of its wide distribution network developed for years and develop 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 contribution of revenues from the Group's television segment kept steady at approximately HK\$27 million (2012: HK\$28 million).

As at 30th September 2013, the Group provided Red Channel through the platform of HBO in certain South East Asian territories, HD movie channel through Chunghwa Telecom MOD platform in Taiwan and Taiwan Broadband Communications and a movie channel through the TVB pay TV platform in Australia. Since December 2012, the Group has also provided a movie channel and a variety channel through the UTV multimedia platform of China Mobile Hong Kong.

In November 2009, the Group entered into an agreement with HBO Asia to provide contents of films and drama through the launch of “RED Channel” in different Asian territories by stages. This cooperation has enhanced the Group’s exposure to the global entertainment market and also helped the Group to establish its channel brandname. Apart from serving the current audience in Indovision and First Media in Indonesia, Hypp TV, the IPTV platform of TM Net in Malaysia, CableBoss, PMSI and Sky Cable in Philippines, RED Channel has also launched in ABN in Malaysia in Q3 2013, Truevisions, the largest pay TV platform in Thailand and Sky Net in Myanmar in Q4 2013. RED Channel will launch in Vietnam in January 2014 as well. Meanwhile, RED Channel will keep on seeking the opportunity to launch in other Asian territories including Singapore very soon.

Looking forward, the Group will continue to explore opportunities to develop channels with other operators and other media platforms.

Following the development of its economic environment, China’s film exhibition industry has grown rapidly in the recent years. The China theatrical box office income has grown continuously from approximately RMB4.3 billion in 2008 to approximately RMB10 billion in 2011, and further increased by approximately 30% to approximately RMB13 billion in 2012. Taking into account of the huge demand but limited theatre supply in China, the Group has started to penetrate into the China theatrical market. The Group’s theatres are all digital with most of them are 3-D equipped.

The one in Tianjin has 7 screens consisting approximately 1,200 seats and has come into operation since 2012. During the period, this theatre contributed approximately HK\$4 million revenues (2012: HK\$4 million) to the Group. The one located in Jiading Shanghai has 10 screens with approximately 1,600 seats also commenced operation formerly in October 2013. Certain theatres in other sites are being constructed or planned. Although the Group’s theatre operation is still under investment stage, the Group is confident of its prospects taking into account the continuous growth of China film exhibition industry.



The revenues attributable to sale and distribution of films and programs in audio and visual product format dropped to the level of approximately HK\$3 million (2012: HK\$8 million). Following the shrinkage of video industry and rapid development of technology, the distribution of films and programs is no longer limited to video discs but in digital formats available over the Internet. The Group is diversifying its distribution network to online downloading and streaming in order to adapt to the expected future consumer behavior.

The Group's artiste management business contributed approximately HK\$0.8 million (2012: HK\$6 million) revenues to the Group, due to less artiste performance during the period. The Group will continue to seek other potential artistes and performers in order to build up a talent pool from which all future productions will be benefited.

The Group's video website "www.116.tv" is still in investment stage, the segment attributed loss of approximately HK\$3 million for the period. Despite this, the Group considers the new media investment will ignite a revolution to the video distribution industry and fit the expected market demand.

The Group's channel management operations are conducted through its associated company, namely Hongkongmovie.com Company Limited and its subsidiaries ("HKM"). Other than providing services to the Group, HKM also provides playout, post-production HD-film restoration and channel management services to a number of other media operators. During the period, HKM started to provide its services under the developed M-OTT platform which enables audiences to watch content through TV, PC, smart phone and tablet. HKM is also co-operating with other institutions to develop more advanced technology in multimedia area, e.g. content distribution network, which is ready to contribute favorable returns to HKM 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 unrealised gain of approximately HK\$11 million (2012: loss of HK\$8 million). The investment properties portfolio of the Group still contributed a surplus on revaluation of approximately HK\$1 million (2012: HK\$24 million) during the period. Such unrealised gains/losses have no effect on the Group's cash flow.

In respect of the litigation as set out in the Company's announcement dated 15 April 2011, after taking advice from the legal advisors which have considered the information so far available, the plaintiff's claim is rather flimsy and the chance resulting in unfavourable outcome is not great.



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 2013, the Group has available banking facilities of approximately HK\$70 million, of which approximately HK\$46 million were utilised. Certain of the Group's deposits and properties with aggregate net book values of HK\$109 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 8% as at 30th September 2013 was based on the total of bank loans and overdrafts of HK\$45,984,000 (of which HK\$32,979,000, HK\$1,397,000, HK\$4,374,000 and HK\$7,234,000 are repayable within one year, in the second year, in the third to fifth year and after the fifth year respectively) and the shareholders' funds of approximately HK\$578,497,000. The Group's borrowings and bank balances are primarily denominated in Hong Kong dollars and Renminbi and has no significant exposure to foreign currency fluctuations.

Details of the Group's contingent liabilities and commitments have been set out in notes 15 to 17 to the condensed consolidated financial information. The commitments will be financed by the Group's internal resources and banking facilities.

### **Employees**

At 30th September 2013, the Group employed 170 staff. Remuneration is reviewed periodically based on 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 employees may be granted options to acquire shares of the Company.

## **Share option scheme**

Details of the share option scheme (the "Scheme") approved by the shareholders of the Company at the annual general meeting on 30th August 2004 were disclosed in the Company's circular dated 5th August 2004 and the annual report for the year ended 31st March 2013.

There was no outstanding share option as at 30th September 2013.



## Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any Associated Corporation

At 30th September 2013, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

### (a) Ordinary shares of HK\$0.02 each in Mei Ah Entertainment Group Limited

Name of director	Number of shares beneficially held-long position			% of the issued share capital of the Company as at 30th September 2013
	Personal interests	Family interests	Corporate interests	
Mr. LI Kuo Hsing	245,497,500	189,843,750 <i>Note (i)</i>	2,303,947,550 <i>Note (ii)</i>	48.63%
Mr. TONG Hing Chi	16,875,000	—	—	0.3%
Mr. CHAU Kei Leung	36,045,000	—	—	0.64%

Notes:

- (i) These shares are held by Ms. LI Pik Lin, the spouse of Mr LI Kuo Hsing.
- (ii) These shares are held by Kuo Hsing Holdings Limited, a company beneficially controlled by Mr. LI Kuo Hsing.

**(b) Interest in subsidiaries of the Company**

Mr. LI Kuo Hsing personally holds non-voting deferred shares of HK\$1 each in the following subsidiaries:

<b>Name</b>	<b>No. of non-voting deferred shares held Personal interests</b>
Mei Ah Laser Disc Company Limited	100,000
Mei Ah Video Production Company Limited	10,000
Mei Ah Investment Company Limited	500,000

With the exception of the interests disclosed above,

- (i) at no time during the period was the Company, its subsidiaries, its associated companies, or its holding company a party to any arrangement to enable the directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation; and
- (ii) at no time during the period, the directors and chief executives (including their spouse and children under 18 years of age) had any interest in or had been granted or exercised, any rights to subscribe for shares of the Company and its associated companies (within the meaning of the SFO).

## **Substantial shareholders**

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30th September 2013, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition of those disclosed above in respect of the directors and chief executives.



**Interests in ordinary shares of HK\$0.02 each in the Company**

Name	Note	Number of shares — Long position	
		Interests	% of the issued share capital of the Company as at 30th September 2013
Ho Chi Sing	(a)	398,840,000	7.08
IDG-Accel China Growth Fund Associates L.P.	(b)	370,205,516	6.57
IDG-Accel China Growth Fund GP Associates Ltd.	(b)	370,205,516	6.57
Zhou Quan	(b)	370,205,516	6.57
IDG-Accel China Growth Fund — L.P.		307,385,666	5.46

*Notes:*

- (a) Included the 370,205,516 shares as set out in note (b).
- (b) Referred to the same parcel of shares and included the 307,385,666 shares held by IDG-Accel China Growth Fund L. P.

## **Compliance with the Code of Corporate Governance Practices**

During the six months ended 30th September 2013, 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 2013, 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 2013.

## 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 2013.

On behalf of the Board

**Li Kuo Hsing**

*Chairman*

29th November 2013