



INTERIM REPORT  
**2014/2015**



**美亞娛樂資訊集團有限公司**  
MEI AH ENTERTAINMENT GROUP LTD.

股份代號 Stock Code: 391

The directors present the condensed consolidated financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2014. 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 2014, and the consolidated interim balance sheet of the Group as at 30th September 2014, 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 2014

		Unaudited Six months ended 30th September	
		2014	2013
	Note	HK\$'000	HK\$'000
Turnover	4	58,995	61,985
Cost of sales		(29,582)	(32,001)
Gross profit		29,413	29,984
Other income	5	6,449	5,834
Other gains — net	6	2,641	12,558
Selling and marketing expenses		(7,914)	(1,737)
Administrative expenses		(40,466)	(34,575)
Operating (loss)/profit	7	(9,877)	12,064
Finance income		713	1,353
Finance costs		(398)	(402)
Finance income — net		315	951
(Loss)/profit before income tax		(9,562)	13,015
Income tax (expense)/credit	8	(210)	63
(Loss)/profit for the period		(9,772)	13,078
(Loss)/profit attributable to:			
Equity holders of the Company		(9,792)	13,141
Non-controlling interests		20	(63)
		(9,772)	13,078
(Loss)/earnings per share	9		
Basic		(0.17 cents)	0.23 cents
Diluted		(0.17 cents)	0.23 cents

## Consolidated Statement of Comprehensive Income

For the six months ended 30th September 2014

	Unaudited Six months ended 30th September	
	2014	2013
	HK\$'000	HK\$'000
<b>(Loss)/profit for the period</b>	<b>(9,772)</b>	<b>13,078</b>
<b>Other comprehensive (loss)/income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Surplus on revaluation of buildings	6,430	2,337
Deferred taxation arising from revaluation surplus of buildings	(1,031)	(349)
Fair value gains/(losses) on available-for-sale financial assets	1,818	(3,617)
Impairment loss on available-for-sale financial assets	49	—
Currency translation differences	(255)	238
Grant of share options	45	—
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>7,056</b>	<b>(1,391)</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(2,716)</b>	<b>11,687</b>
<b>Attributable to:</b>		
— Equity holders of the Company	(2,736)	11,750
— Non-controlling interests	20	(63)
<b>Total comprehensive (loss)/income for the period</b>	<b>(2,716)</b>	<b>11,687</b>

## Condensed Consolidated Interim Balance Sheet

As at 30th September 2014 and 31st March 2014

	<b>Unaudited 30th September 2014</b>	Audited 31st March 2014
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
	28,477	28,871
Leasehold land and land use rights		
Property, plant and equipment	223,882	224,411
Intangible assets	101	201
Investment properties	216,784	215,994
Interests in associated companies	1,894	1,890
Available-for-sale financial assets	4,847	3,029
Film rights, films in progress and film royalty deposits	100,304	71,545
Other receivables <i>11</i>	6,111	6,270
	<b>582,400</b>	<b>552,211</b>
<b>Current assets</b>		
	110	82
Inventories		
Trade and other receivables <i>11</i>	14,384	16,159
Amounts due from associated companies	6,920	7,064
Financial assets at fair value through profit and loss	37,847	35,833
Pledged bank deposits	23,500	23,500
Cash and cash equivalents	46,964	74,259
	<b>129,725</b>	<b>156,897</b>
<b>Total assets</b>	<b>712,125</b>	<b>709,108</b>

		<b>Unaudited 30th September 2014</b>	Audited 31st March 2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>15</i>	112,661	112,661
Share premium		126,733	126,733
Reserves		307,641	310,377
		<b>547,035</b>	549,771
Shareholders' funds		547,035	549,771
Non-controlling interests		7,513	7,493
<b>Total equity</b>		<b>554,548</b>	557,264
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>13</i>	11,288	11,947
Obligations under finance leases	<i>14</i>	335	—
Deferred income tax liabilities		21,779	20,751
		<b>33,402</b>	32,698
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	64,733	67,196
Receipts in advance		16,293	20,254
Borrowings	<i>13</i>	31,819	20,235
Obligations under finance leases		166	—
Current income tax liabilities		11,164	11,461
		<b>124,175</b>	119,146
<b>Total liabilities</b>		<b>157,577</b>	151,844
<b>Total equity and liabilities</b>		<b>712,125</b>	709,108
<b>Net current assets</b>		<b>5,550</b>	37,751
<b>Total assets less current liabilities</b>		<b>587,950</b>	589,962

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September 2014

	Attributable to shareholders										
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Share option reserve	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	HKS'000
<b>The Group</b>											
At 1st April 2014	112,661	126,733	12	189,009	—	2,292	63,065	1,533	54,466	7,493	557,264
<b>Comprehensive income</b>											
Profit/(loss) for the period	—	—	—	—	—	—	—	—	(9,792)	20	(9,772)
<b>Other comprehensive income/(loss)</b>											
Fair value gains on available-for-sale financial assets	—	—	—	—	—	—	—	1,818	—	—	1,818
Impairment loss on available-for-sale financial assets	—	—	—	—	—	—	—	49	—	—	49
Surplus on revaluation of buildings	—	—	—	—	—	—	6,430	—	—	—	6,430
Deferred tax arising from revaluation surplus of buildings	—	—	—	—	—	—	(1,031)	—	—	—	(1,031)
Translation of foreign subsidiaries	—	—	—	—	—	(255)	—	—	—	—	(255)
Grant of share options	—	—	—	—	45	—	—	—	—	—	45
<b>Total other comprehensive income/(loss)</b>	—	—	—	—	45	(255)	5,399	1,867	—	—	7,056
<b>Total comprehensive income/(loss) for the period</b>	—	—	—	—	45	(255)	5,399	1,867	(9,792)	20	(2,716)
At 30th September 2014	112,661	126,733	12	189,009	45	2,037	68,464	3,400	44,674	7,513	554,548

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 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

## Condensed Consolidated Cash Flow Statement

For the six months ended 30th September 2014

	Unaudited Six months ended 30th September	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net cash inflow from operating activities	6,381	21,781
Net cash outflow from investing activities	(43,910)	(74,900)
Net cash inflow from financing activities	5,746	24,971
Decrease in cash and cash equivalents	(31,783)	(28,148)
Cash and cash equivalents at the beginning of the period	72,366	100,315
Exchange differences	(279)	2,568
Cash and cash equivalents at the end of the period	40,304	74,735
Analysis of balances of cash and cash equivalents:		
Cash at bank, on hand and short-term bank deposits	46,964	86,346
Bank overdrafts	(6,660)	(11,611)
	40,304	74,735



## 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 28th November 2014.

### 2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September 2014 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 2014, 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 2014, 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.

The Group operates a equity-settled, share-based compensation plans. The fair value of the services received in exchange for the grant of the options is recognised as an expense in the consolidated income statement and credited to the share option reserve, unless the fair value of the services received cannot be reliably measured, then the fair value of the equity instruments is used to determine the share-based payment expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to share option reserve in equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Those new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 31st March 2015 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 Six months ended 30th September 2014								
	Television operations	Film and television 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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	26,620	19,343	548	1,389	11,095	—	—	—	58,995
Reportable segment profit/(loss)	4,023	(6,713)	(887)	(129)	(5,620)	4,135	(4,337)	15	(9,513)
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	(62)	(560)	(230)	(7)	(4,714)	—	(251)	—	(5,824)
Amortisation for film rights	(4,040)	(4,108)	—	—	—	—	(310)	15	(8,443)
Provisions for impairment of film rights	—	(6,758)	—	—	—	—	—	—	(6,758)
Additions to property, plant and equipment	119	16	682	173	35	—	327	—	1,352
Additions to film rights, films in progress and film royalty deposits	9,806	33,844	—	—	—	—	310	—	43,960
As at 30th September 2014							—		
Reportable segment assets	35,453	121,359	401	4,592	43,125	219,199	2,273	(176)	426,226
Reportable segment liabilities	(17,998)	(47,185)	(4,783)	(1,267)	(13,362)	(23,816)	(4,410)	—	(112,821)

Unaudited  
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	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'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 31st March 2014	26,977	120,623	25,089	5,820	50,580	217,771	2,602	(191)	449,271
Reportable segment assets	(22,479)	(44,227)	(4,599)	(1,778)	(15,199)	(23,033)	(6,317)	—	(117,632)
Reportable segment liabilities									

*Profit or loss*

	<b>Unaudited Six months ended 30th September</b>	
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment (loss)/profit	(9,513)	984
Unallocated amounts:		
Unallocated other income	1,267	1,093
Unallocated other gains	1,965	11,440
Unallocated finance income — net	167	973
Depreciation and amortisation of property, plant and equipment and leasehold land and land use rights	(2,707)	(573)
Unallocated corporate expenses	(741)	(902)
	<b>(9,562)</b>	<b>13,015</b>
(Loss)/profit before income tax		
Additions to property, plant and equipment		
Attributable to reportable segments	1,352	11,349
Unallocated additions	43	24,977
	<b>1,395</b>	<b>36,326</b>
	<b>Unaudited 30th September 2014</b>	Audited 31st March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>		
Reportable segment assets	426,226	449,271
Unallocated assets:		
Unallocated property, plant and equipment and leasehold land and land use rights	207,100	204,274
Unallocated available-for-sale financial assets	4,847	3,029
Unallocated financial assets at fair value through profit or loss	37,846	35,833
Unallocated cash and cash equivalents	24,197	75
Unallocated interests in and amounts due from associated companies	6,921	8,954
Unallocated corporate assets	4,988	7,672
<b>Total assets per consolidated balance sheet</b>	<b>712,125</b>	<b>709,108</b>
<b>Liabilities</b>		
Reportable segment liabilities	112,821	117,632
Unallocated liabilities:		
Unallocated bank borrowings	43,108	32,182
Unallocated corporate liabilities	1,648	2,030
<b>Total liabilities per consolidated balance sheet</b>	<b>157,577</b>	<b>151,844</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</b>	
	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	24,605	25,657
People's Republic of China	15,686	14,211
Taiwan	6,472	6,479
Other countries	12,232	7,448
Singapore	—	8,190
	<b>58,995</b>	<b>61,985</b>

	<b>Non-current assets (other than interests in associated companies and financial instruments)</b>	
	<b>Unaudited</b>	Audited
	<b>30th</b>	31st
	<b>September</b>	March
	<b>2014</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	346,177	323,870
People's Republic of China	169,379	172,533
Taiwan	28,756	23,313
Other countries	25,237	21,306
	<b>569,549</b>	<b>541,022</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	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income from available-for-sale financial assets	1,267	1,093
Rental income	3,995	3,102
Management fee and other income	1,187	1,639
	<b>6,449</b>	<b>5,834</b>

## 6. Other gains — net

	Unaudited Six months ended 30th September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Surplus on revaluation of investment properties	676	1,118
Fair value gains on financial assets at fair value through profit or loss	2,014	10,616
Impairment loss on available-for-sale financial assets	(49)	—
Gain on disposal of available-for-sale financial assets	—	824
	<b>2,641</b>	<b>12,558</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>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of film rights	8,443	22,660
Patent rights	—	96
Provision for impairment of film rights and films in progress	6,758	—
Amortisation of leasehold land and land use rights	394	394
Depreciation of property, plant and equipment	8,137	3,626
Cost of goods sold	557	1,114
Wages and salaries	17,205	17,094

**8. Taxation**

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax — Hong Kong profits tax	213	620
Deferred income tax	(3)	(683)
	<b>210</b>	<b>(63)</b>

**9. (Loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to equity holders of the Company of HK\$9,792,000 (2013: profit of HK\$13,141,000) and on the weighted average of 5,633,035,000 (2013: 5,633,035,000) ordinary shares in issue during the period.

Diluted (loss)/earnings per share for the six months ended 30th September 2014 and 2013 were the same as the basic (loss)/earnings 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 2014 (2013: Nil).

**11. Trade and other receivables**

	<b>Unaudited 30th September 2014</b>	Audited 31st March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	28,313	29,927
<i>Less: provision for impairment of receivables</i>	<i>(23,422)</i>	<i>(23,385)</i>
Trade receivables — net	4,891	6,542
Prepayments, deposits and other receivables	15,604	15,887
	20,495	22,429
<i>Less: Other receivables — non current portion</i>	<i>(6,111)</i>	<i>(6,270)</i>
Current portion	14,384	16,159

The ageing analysis of trade receivables is as follows:

	<b>Unaudited 30th September 2014</b>	Audited 31st March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	6,399	6,617
4 to 6 months	—	—
Over 6 months	21,914	23,310
	28,313	29,927

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



12. Trade and other payables

	<b>Unaudited 30th September 2014</b>	Audited 31st March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	3,500	3,631
Other payables and accruals	61,233	63,565
	<b>64,733</b>	<b>67,196</b>

The ageing analysis of trade payables is as follows:

	<b>Unaudited 30th September 2014</b>	Audited 31st March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	1,631	1,790
4 to 6 months	127	496
Over 6 months	1,742	1,345
	<b>3,500</b>	<b>3,631</b>

13. Borrowings

	<b>Unaudited 30th September 2014</b>	Audited 31st March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts — secured	6,660	1,893
Secured bank loans — current portion	25,159	18,342
Bank borrowings — current portion	31,819	20,235
Secured bank loans — non-current portion	11,288	11,947
Total borrowings	<b>43,107</b>	<b>32,182</b>

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

	<b>Unaudited 30th September 2014</b>	Audited 31st March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	31,819	20,235
Between 1 to 2 years	1,390	1,486
Between 2 to 5 years	4,342	4,304
Later than 5 years	5,556	6,157
	<b>43,107</b>	<b>32,182</b>

**14. Obligations under finance leases**

Obligations under finance lease are repayable in the following periods:

	<b>Unaudited 30th September 2014</b>	Audited 31st March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross finance lease liabilities — minimum lease payments		
Within 1 year	180	—
Later than 1 year and no later than 5 years	346	—
	<b>526</b>	<b>—</b>
Future finance charges on finance leases	(25)	—
	<b>501</b>	<b>—</b>
The present value of finance lease liabilities are repayable as follows:		
Within 1 year	166	—
Later than 1 year and no later than 5 years	335	—
	<b>501</b>	<b>—</b>

## 15. Share capital

	Number of ordinary shares		Ordinary shares	
	Unaudited 30th September 2014	Audited 31st March 2014	Unaudited 30th September 2014	Audited 31st March 2014
	'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

## 16. Contingent liabilities

At 30th September 2014, the Company had contingent liabilities of guarantees given to banks in respect of banking facilities granted to subsidiaries to the extent of HK\$45,000,000 (31st March 2014: HK\$51,000,000).

## 17. Capital commitments

As at 30th September 2014, the Group had contracted commitments but not provided for in the financial information in respect of film rights, films in progress and film royalty deposits amounting to HK\$60,595,000 (31st March 2014: HK\$58,752,000).

## 18. 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 2014	Audited 31st March 2014
	HK\$'000	HK\$'000
Within 1 year	5,826	5,396
Later than 1 year and no later than 5 years	25,765	22,569
Later than 5 years	81,030	86,663
	112,621	114,628

**(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:

	<b>Unaudited 30th September 2014</b>	Audited 31st March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	7,153	6,061
Later than 1 year and no later than 5 years	7,837	5,873
	<b>14,990</b>	<b>11,934</b>

**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 2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Post-production and origination services payable to an associated company	2,882	1,915
Playout services payable to an associated company	2,004	1,729
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 2014 (2013: Nil).

## Business Review and Management Discussion And Analysis

During the six months ended 30th September 2014, the Group reported an unaudited consolidated turnover of HK\$58,995,000 (2013: HK\$61,985,000) and a loss attributable to equity holders of the Company of HK\$9,792,000 (2013: profit of HK\$13,141,000). The loss excluding other gains, being gains attributable to investment properties and financial assets at fair value through profit and loss, was HK\$12,433,000 (2013: profit of HK\$583,000).

The contribution of revenues from the Group's television segment kept steady at approximately HK\$26.6 million (2013: HK\$27.3 million). As at 30th September 2014, the Group provided channels through various operators, including Red Channel through the platform of HBO in certain Asian territories, HD movie channel through Chunghwa Telecom MOD platform and Taiwan Broadband Communications in Taiwan, a movie channel and a variety channel through UTV multimedia platform of China Mobile Hong Kong, a movie channel through TVB pay vision in Hong Kong and a movie channel through TVB pay TV platform in Australia.

In November 2009, the Group entered into an agreement with HBO Asia to launch and distribute the "RED Channel" in different Asian countries and territories by stages. In this cooperation, the Group is responsible for providing contents of movies and drama series through our content library, own production and acquisition to the channel. This cooperation has helped the Group distribute its content to Asia and then the global market. It has also helped the Group establish its brand name in the TV and content provider businesses. Since its launch, the channel is now available in 7 countries and territories including Malaysia, Indonesia, Thailand, Philippines, Vietnam, Myanmar and Cambodia. We look forward to distributing the channel in other Asian countries and territories, such as Singapore. In addition to subscription revenue, the channel is expected to start generating advertising revenue after it becomes popular in Asia in the future. The Group is exploring further cooperation opportunities with HBO Asia in content creation and distribution.

The other channels have also provided steadily increasing 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 sublicensing segment was decreased from HK\$26.6 million to HK\$19.3 million, which was mainly attributable to lesser number of new titles released during the period. During the period, a provision for impairment of film rights and films in progress of HK\$6.8 million (2013: Nil) was made against certain film titles.

The Group will continue to strengthen its film library through acquisition, own production and co-production. A number of new titles are in the process of production and they are expected to be released in the forthcoming year.

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.

Following the development of its economic environment, China's film exhibition industry has grown rapidly in the recent years. According to statistics published by the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China, the China theatrical box office income has grown continuously from approximately RMB4.3 billion in 2008 to approximately RMB17 billion in 2012, and further increased by approximately 30% to approximately RMB22 billion in 2013. With reference to certain statistics as reported and projected by certain market media articles, the China theatrical box office income is expected by the industry to reach the level of approximately RMB30 billion in 2014. Taking into account of the increasing demand but limited theatre supply in China, the Group has started to penetrate into the China theatrical market and established its first theatre in Tianjin in 2011. The Group's another theatre in Jiading, Shanghai also commenced operations in 2013. The Group's theatres are all digital with most of them are 3-D equipped.

The theatre in Tianjin has 7 screens consisting approximately 1,200 seats, during the period, this theatre contributed approximately revenues of approximately HK\$5.9 million (2013: HK\$4.1 million) to the Group. The one located in Jiading, Shanghai has 10 screens with approximately 1,600 seats and contributed revenues of approximately HK\$5.1 million (2013: Nil) during the period. Although the Group's theatre operations are still in its investment stage, the Group is confident of its prospects taking into account the continuous growth of China film exhibition industry.

The revenue attributable to sale and distribution of films and programs in audio and visual product format dropped to the level of approximately HK\$0.5 million (2013: HK\$3.2 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 has launched its video website [www.116.tv](http://www.116.tv) and its video apps “116”, which include contents of films, drama and entertainment news, since last year and June 2014 respectively. Taking into account that the operation is still in investment stage, the segment attributed loss of approximately HK\$4.3 million (2013: HK\$3.4 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 artiste management business contributed approximately HK\$1.3 million (2013: HK\$0.8 million) revenues to the Group 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 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.

HKM has started to provide its services under the developed M-OTT platform which enables audiences to watch content through TV, PC, smart phone, tablet, smart TV and set-top box. 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 recorded a fair value gain of approximately HK\$2 million (2013: HK\$10.7 million). The investment properties portfolio of the Group contributed a surplus on revaluation of approximately HK\$0.7 million (2013: HK\$1.1 million) during the period.

As set out in the Company’s announcement dated 29th August 2014, the Company has reached agreement to establish an investment fund principally investing in films, drama and other equity investments. The establishment of the investment fund is still in progress and the Group considers that the cooperation will further enhance its exposure in the industry.

In respect of the litigation as set out in the Company's announcement dated 15th 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 high.

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 2014, the Group has available banking facilities of approximately HK\$78 million, of which approximately HK\$43 million were utilised. Certain of the Group's deposits, financial assets and properties with aggregate net book values of HK\$105 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 8% as at 30th September 2014 was based on the total of bank loans and overdrafts of HK\$43,107,000 (of which HK\$31,819,000, HK\$1,390,000, HK\$4,342,000 and HK\$5,556,000 are repayable within one year, in the second year, in the third to fifth year and after the fifth year respectively) and obligations under finance leases of HK\$501,000 (of which HK\$166,000 and HK\$335,000 are repayable within one year and in the second to fifth respectively and the shareholders' funds of approximately HK\$547,035,000. The Group's borrowings and bank balances are primarily denominated in Hong Kong dollar 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 16 to 18 to the condensed consolidated financial information. The commitments will be financed by the Group's internal resources and banking facilities.

### **Employees**

At 30th September 2014, the Group employed 149 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. As set out in the announcement of the Company dated 29th September 2014, the Company granted a total of 72,800,000 options to individuals at an exercise price of HK\$0.7 per share.

## **Share option scheme**

Details of the share option scheme (the "Scheme") approved by the shareholders of the Company at the annual general meeting on 1st September 2014 were disclosed in the Company's circular dated 31st July 2014.



On 29th September 2014, 72,800,000 share options (the “Options”) were granted to certain individuals at an exercise price of HK\$0.70 under the Scheme. Movement of the share options during the period are set out as follows:

Grantees	At 1st April 2014	Options granted during the period	Options exercised/ cancelled/ lapsed during the period	At 30th September 2014
<i>Directors</i>				
Mr. LI Kuo Hsing	—	6,500,000	—	6,500,000
Mr. TONG Hing Chi	—	6,500,000	—	6,500,000
Mr. LI Tang Yuk	—	6,500,000	—	6,500,000
Dr. DONG Ming	—	6,500,000	—	6,500,000
Mr. Hugo SHONG	—	1,500,000	—	1,500,000
Mr. Alan Cole-Ford	—	1,500,000	—	1,500,000
Mr. CHEUNG Ming Man	—	1,500,000	—	1,500,000
Mr. Lee G. LAM	—	1,500,000	—	1,500,000
Mr. GUO Yan Jun	—	1,500,000	—	1,500,000
<i>Other employees</i>	—	39,300,000	—	39,300,000
	—	72,800,000	—	72,800,000

The closing price of the Company’s shares immediately before the date on which the Options were granted was HK\$0.61.

The Options are not exercisable within 6 months from the date of grant, 30%, 30% and 40% of the Options are exercisable during the period from the 7th to 12th month from the date of grant, the 13th to 18th month from the date of grant and the 19th to 36th month from the date of grant respectively. Any of the unexercised options at the end of each of the aforesaid exercise periods can be rolled over to the next exercise period and thereafter and be exercisable before the expiry of the Options on 28th September 2017.

The fair value of the Options granted of HK\$15,425,000 at the measurement date of 29th September 2014 was determined using the Binomial Tree Model and based on the following parameters:

Risk Free Rate	0.942%
Expected Life of the Options	3 years
Expected Volatility	61.64%
Expected Dividend Yield	0%

The variables and assumptions used in computing the fair value of the share options are based on management's best estimate, the value of an option may vary by the adoption of different variables of certain subjective assumptions with uncertainty.

The expected volatility is based on historical volatilities of the share prices of the Company over the period that is equal to the expected life of the Options before the date of grant.

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

Other than those set out under the paragraph headed "Share option scheme" above, at 30th September 2014, 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 2014
	Personal interests	Family interests	Corporate interests	
Mr. LI Kuo Hsing	307,957,500	189,843,750 <i>Note (i)</i>	2,329,207,550 <i>Note (ii)</i>	50.19%
Mr. TONG Hing Chi	16,875,000	—	—	0.3%
Dr. DONG Ming	5,000,000	—	—	0.09%

*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 Investment Company Limited	500,000
Mei Ah Press Limited	100,000
Mei Ah Video Production Company Limited	10,000

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 2014, 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**

<b>Name</b>	<b>Note</b>	<b>Number of shares — Long position</b>	
		<b>Interests</b>	<b>% of the issued share capital of the Company as at 30th September 2014</b>
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 2014, 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 2014, 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 2014.

## 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 2014.

On behalf of the Board

**Li Kuo Hsing**

*Chairman*

28th November 2014