



**美亞娛樂資訊集團有限公司**

**MEI AH ENTERTAINMENT GROUP LTD.**

股份代號 Stock Code: 391

**2017/18**  
Interim Report

The directors present the condensed consolidated financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2017. 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 2017, and the consolidated statement of financial position of the Group as at 30th September 2017, 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 2017

		Unaudited Six months ended 30th September	
		2017	2016
	Note	HK\$'000	HK\$'000
Revenue	5	46,242	52,759
Cost of sales		(49,667)	(40,543)
Gross (loss)/profit		(3,425)	12,216
Other income	6	7,922	7,457
Other gains — net	7	5,394	17,087
Selling and marketing expenses		(9,284)	(1,362)
Administrative expenses		(29,372)	(49,421)
Operating loss	8	(28,765)	(14,023)
Finance income		380	706
Finance costs		(93)	(116)
Finance income — net		287	590
Share of net loss of associates		(1,902)	(530)
Share of losses of joint ventures		(963)	—
Loss before income tax		(31,343)	(13,963)
Income tax expense	9	(495)	(218)
Loss for the period		(31,838)	(14,181)
Loss attributable to:			
Equity holders of the Company		(29,928)	(11,633)
Non-controlling interests		(1,910)	(2,548)
		(31,838)	(14,181)
Loss per share	10	(0.51 HK cents)	(0.20 HK cents)

## Consolidated Statement of Comprehensive Income

For the six months ended 30th September 2017

	Unaudited Six months ended 30th September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the period</b>	<b>(31,838)</b>	<b>(14,181)</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	2,797	890
Deferred taxation arising from revaluation surplus of buildings	(431)	(132)
<i>Items that may be reclassified to profit or loss</i>		
Fair value (losses)/gains on available-for- sale financial assets	(1,708)	52
Currency translation differences	(5,020)	1,892
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(4,362)</b>	<b>2,702</b>
<b>Total comprehensive loss for the period</b>	<b>(36,200)</b>	<b>(11,479)</b>
<b>Attributable to:</b>		
— Equity holders of the Company	(34,290)	(8,931)
— Non-controlling interests	(1,910)	(2,548)
<b>Total comprehensive loss for the period</b>	<b>(36,200)</b>	<b>(11,479)</b>

## Condensed Consolidated of Financial Position

As at 30th September 2017 and 31st March 2017

		Unaudited 30th September 2017	Audited 31st March 2017
	<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		26,114	26,508
Property, plant and equipment		179,485	179,280
Investment properties		229,804	218,504
Film rights, films in progress and film royalty deposits		198,621	148,268
Interests in associates		11,065	12,944
Interests in joint ventures		1,225	2,188
Available-for-sale financial assets		5,004	6,712
Other receivables and deposits	12	5,897	4,757
		<b>657,215</b>	<b>599,161</b>
<b>Current assets</b>			
Inventories		179	238
Trade and other receivables	12	37,080	29,464
Amounts due from associates		11,025	13,757
Amounts due from joint ventures		8,340	5,015
Financial assets at fair value through profit or loss		40,845	46,011
Pledged bank deposits		23,500	23,500
Short-term bank deposits		2,714	2,258
Cash and cash equivalents		63,399	123,585
		<b>187,082</b>	<b>243,828</b>
<b>Total assets</b>		<b>844,297</b>	<b>842,989</b>

		<b>Unaudited 30th September 2017</b>	Audited 31st March 2017
	<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	16	118,475	118,475
Share premium		407,428	407,428
Reserves		121,383	155,673
		<b>647,286</b>	<b>681,576</b>
Shareholders' funds		647,286	681,576
Non-controlling interests		4,136	6,046
<b>Total equity</b>		<b>651,422</b>	<b>687,622</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	7,089	7,789
Obligations under finance leases	15	229	312
Deferred income tax liabilities		23,398	22,822
		<b>30,716</b>	<b>30,923</b>
<b>Current liabilities</b>			
Trade and other payables	13	96,950	77,568
Receipts in advance		43,534	34,005
Borrowings	14	10,508	1,441
Obligations under finance leases		165	236
Current income tax liabilities		11,002	11,194
		<b>162,159</b>	<b>124,444</b>
<b>Total liabilities</b>		<b>192,875</b>	<b>155,367</b>
<b>Total equity and liabilities</b>		<b>844,297</b>	<b>842,989</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September 2017

	Attributable to shareholders										
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Share-based payment reserve	Exchange difference	Buildings revaluation reserve	Available-for-sale financial assets revaluation reserve	Accumulated losses	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	HK\$'000
<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>	<b>118,475</b>	<b>407,428</b>	<b>12</b>	<b>189,009</b>	<b>–</b>	<b>3,794</b>	<b>75,414</b>	<b>3,937</b>	<b>(150,783)</b>	<b>4,136</b>	<b>651,422</b>

# MEI AH ENTERTAINMENT GROUP LTD.

	Attributable to shareholders										
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Share-based payment reserve	Exchange difference	Buildings revaluation reserve	Available-for-sale financial assets revaluation reserve	Accumulated losses	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 2016	118,475	407,428	12	189,009	12,178	4,358	71,464	7,119	(50,774)	651	759,920
<b>Comprehensive loss</b>											
Loss for the period	—	—	—	—	—	—	—	—	(11,633)	(2,548)	(14,181)
<b>Other comprehensive income/(loss)</b>											
Surplus on revaluation of buildings	—	—	—	—	—	—	890	—	—	—	890
Deferred tax arising from revaluation surplus of buildings	—	—	—	—	—	—	(132)	—	—	—	(132)
Fair value gains on available-for-sale financial assets	—	—	—	—	—	—	—	52	—	—	52
Translation of foreign subsidiaries	—	—	—	—	—	1,892	—	—	—	—	1,892
<b>Total other comprehensive income/(loss)</b>	—	—	—	—	—	1,892	758	52	—	—	2,702
<b>Total comprehensive income/(loss) for the period</b>	—	—	—	—	—	1,892	758	52	(11,633)	(2,548)	(11,479)
Share options forfeited	—	—	—	—	(260)	—	—	—	260	—	—
Deemed disposal of a subsidiary	—	—	—	—	—	—	—	—	—	4,100	4,100
<b>Total transactions with owners, recognised directly in equity</b>	—	—	—	—	(260)	—	—	—	260	4,100	4,100
At 30th September 2016	118,475	407,428	12	189,009	11,918	6,250	72,222	7,171	(62,147)	2,203	752,541

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September 2017

	Unaudited Six months ended 30th September	
	2017	2016
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from/(used in) operations	9,518	(5,452)
Income tax paid	(542)	(197)
Net cash generated from/(used in) operating activities	8,976	(5,649)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,289)	(665)
Purchase of film rights, films in progress and film royalty deposits	(74,813)	(12,030)
Proceeds from disposal of financial assets at fair value through profit and loss	—	384
Interest received	380	706
Cash outflow from deemed disposal of interest in a subsidiary	—	(535)
Change in short-term deposits	(456)	—
Net cash used in investing activities	(76,178)	(12,140)
<b>Cash flows from financing activities</b>		
Repayments of bank loans	(678)	(418)
Interest paid on loans and overdrafts	(84)	(113)
Interest element of finance leases	(9)	(3)
Repayments of capital element of finance leases	(154)	(87)
Net cash used in financing activities	(925)	(621)



	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net decrease in cash and cash equivalents</b>	<b>(68,127)</b>	(18,410)
Cash and cash equivalents at beginning of period	<b>123,585</b>	228,592
Exchange differences	<b>(1,104)</b>	(433)
<b>Cash and cash equivalents at end of period</b>	<b>54,354</b>	209,749
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at bank, on hand and short-term bank deposits	<b>63,399</b>	212,295
Bank overdrafts	<b>(9,045)</b>	(2,546)
	<b>54,354</b>	209,749

# 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, concert performances, mobile games applications and video online, 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 29th November 2017.

## 2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September 2017 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 2017, 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 2017, 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 effective for financial year ending 31st March 2018 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 2017.

## 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 2017									
	Television operations	Film exhibition and film rights licensing and sub-licensing	Theatre operations	Concert performance	Mobile applications and video online	Sale and distribution of films and programs in audio visual product format	Artiste management	Property investment	Elimination	Group
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Segment revenue	20,081	9,518	11,725	3,908	—	934	76	—	—	46,242
Reportable segment profit/(loss)	(5,320)	(21,005)	(710)	(4,006)	(5,875)	(72)	(408)	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)
Amortisation for film rights	(7,830)	(5,708)	—	—	—	—	—	—	25	(13,513)
Provision for impairment of film rights	—	13,752	—	—	—	—	—	—	—	13,752
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 30th September 2017	49,195	187,376	7,104	13,002	20,891	3,781	5,187	239,632	—	526,168
Reportable segment assets	(30,393)	(89,466)	(14,950)	(8,199)	(513)	(1,917)	(123)	(27,220)	—	(172,781)
Reportable segment liabilities										

Unaudited  
 Six months ended 30th September 2016

	Television operations	Film exhibition and film rights licensing and sub-licensing	Theatre operations	Concert performance	Mobile games and video applications online	Sale and distribution of films and programs in audio visual product format	Artiste management	Property investment	Elimination	Group
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
								(note (a))		
External sales	22,798	9,456	13,132	6,598	645	88	42	—	—	52,759
Inter-segment sales	—	200	—	—	—	—	—	—	(200)	—
Segment revenue	22,798	9,656	13,132	6,598	645	88	42	—	(200)	52,759
Reportable segment profit/(loss)	(1,902)	(13,580)	(4,044)	110	4,137	(1,699)	(158)	2,945	105	(14,086)
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	(157)	(48)	(4,152)	(13)	(447)	(102)	—	—	—	(4,919)
Amortisation for film rights	(7,497)	(7,230)	—	—	—	—	—	—	94	(14,633)
Additions to property, plant and equipment	191	—	268	—	2	—	—	—	—	461
Additions to film rights, films in progress and film royalty deposits	8,202	4,028	—	—	—	—	—	—	(200)	12,030
As at 31st March 2017										
Reportable segment assets	49,781	118,498	5,706	11,283	20,967	31,312	5,136	222,642	—	465,325
Reportable segment liabilities	(34,445)	(60,648)	(14,181)	(7,382)	(315)	(3,126)	—	(24,972)	—	(145,069)

*Profit or loss*

	<b>Unaudited Six months ended 30th September</b>	
	<b>2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment loss	(23,849)	(14,086)
Unallocated amounts:		
Unallocated other income	1,877	1,646
Unallocated other (losses)/gains	(5,166)	3,014
Unallocated finance income — net	187	—
Depreciation and amortisation of property, plant and equipment and leasehold land and land use rights	(3,159)	(3,078)
Unallocated share of profits of associates	1,045	907
Unallocated corporate expenses	(2,278)	(2,366)
<b>Loss before income tax</b>	<b>(31,343)</b>	<b>(13,963)</b>
	<b>Unaudited 30th September 2017</b>	Audited 31st March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>		
Reportable segment assets	526,168	465,325
Unallocated assets:		
Unallocated property, plant and equipment and leasehold land and land use rights	198,051	198,019
Unallocated available-for-sale financial assets	5,004	6,712
Unallocated financial assets at fair value through profit or loss	40,845	46,011
Unallocated cash and cash equivalents	61,765	108,774
Unallocated interests in and amounts due from associates	10,950	14,009
Unallocated corporate assets	1,514	4,139
<b>Total assets</b>	<b>844,297</b>	<b>842,989</b>
<b>Liabilities</b>		
Reportable segment liabilities	172,781	145,069
Unallocated liabilities:		
Unallocated bank borrowings	17,598	9,230
Unallocated corporate liabilities	2,496	1,068
<b>Total liabilities</b>	<b>192,875</b>	<b>155,367</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 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>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	19,738	19,222
People's Republic of China	12,315	16,431
Taiwan	4,550	5,517
Other countries	9,639	11,589
	<b>46,242</b>	<b>52,759</b>
	<b>Non-current assets</b>	
	<b>(other than financial assets)</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>30th</b>	<b>31st</b>
	<b>September</b>	<b>March</b>
	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	433,252	365,892
People's Republic of China	161,272	170,437
Taiwan	26,281	25,274
Other countries	25,509	26,089
	<b>646,314</b>	<b>587,692</b>

*Note (a)*

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

## 6. Other income

	Unaudited Six months ended 30th September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income from available-for-sale financial assets	1,877	1,616
Rental income	4,157	4,619
Management fee and other income	1,888	1,222
	<b>7,922</b>	<b>7,457</b>

## 7. Other gains — net

	Unaudited Six months ended 30th September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Surplus/(deficit) on revaluation of investment properties	10,560	(1,278)
Fair value (loss)/gains on financial assets at fair value through profit or loss	(5,166)	2,947
Profit on deemed disposal of interest in a subsidiary	—	15,351
Gain on disposal of financial assets at fair value through profit and loss	—	67
	<b>5,394</b>	<b>17,087</b>

**8. 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>2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of film rights	13,513	14,633
Amortisation of leasehold land and land use rights	394	394
Cost of goods sold	412	595
Depreciation of property, plant and equipment	4,008	7,604
Employee benefit expenses	20,234	23,826
Provision for impairment of film rights	13,752	—

**9. Taxation**

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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>2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax	350	163
Deferred income tax	145	55
	<b>495</b>	<b>218</b>

**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\$29,928,000 (2016: HK\$11,633,000) and on the weighted average of 5,923,739,000 (2016: 5,923,739,000) ordinary shares in issue during the period.

**(b) Diluted**

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 2017 (2016: Nil).

**12. Trade and other receivables**

	<b>Unaudited 30th September 2017</b>	Audited 31st March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	29,788	29,993
Less: provision for impairment of receivables	(20,930)	(20,930)
Trade receivables — net	8,858	9,063
Prepayments	15,134	5,600
Other receivables and deposits	18,985	19,558
	42,977	34,221
Less: Other receivables and deposits — non current portion	(5,897)	(4,757)
Current portion	37,080	29,464

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

	<b>Unaudited 30th September 2017</b>	Audited 31st March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	7,945	9,063
4 to 6 months	857	—
Over 6 months	20,986	20,930
	29,788	29,993

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

**13. Trade and other payables**

	<b>Unaudited 30th September 2017</b>	Audited 31st March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	1,329	2,090
Other payables and accruals	95,621	75,478
	<b>96,950</b>	<b>77,568</b>

The ageing analysis of trade payables is as follows:

	<b>Unaudited 30th September 2017</b>	Audited 31st March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	808	449
4 to 6 months	—	—
Over 6 months	521	1,641
	<b>1,329</b>	<b>2,090</b>

**14. Borrowings**

	<b>Unaudited 30th September 2017</b>	Audited 31st March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts — secured	9,045	—
Secured bank loans — current portion	1,463	1,441
Bank borrowings — current portion	10,508	1,441
Secured bank loans — non-current portion	7,089	7,789
Total borrowings	<b>17,597</b>	<b>9,230</b>

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

	<b>Unaudited 30th September 2017</b>	Audited 31st March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	10,508	1,441
Between 1 to 2 years	1,463	1,470
Between 2 to 5 years	4,582	4,603
Later than 5 years	1,044	1,716
	<b>17,597</b>	<b>9,230</b>

#### 15. Obligations under finance leases

Obligations under finance lease are repayable in the following periods:

	<b>Unaudited 30th September 2017</b>	Audited 31st March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross finance lease liabilities — minimum lease payments		
Within 1 year	176	252
Later than 1 year and no later than 5 years	236	323
	412	575
Future finance charges on finance leases	(18)	(27)
	<b>394</b>	<b>548</b>
The present value of finance lease liabilities are repayable as follows:		
Within 1 year	165	236
Later than 1 year and no later than 5 years	229	312
	<b>394</b>	<b>548</b>

## 16. Share capital

	Number of ordinary shares		Ordinary shares	
	Unaudited 30th September 2017	Audited 31st March 2017	Unaudited 30th September 2017	Audited 31st March 2017
	'000	'000	HK\$'000	HK\$'000
Authorised	15,000,000	15,000,000	300,000	300,000
Issued and fully paid	5,923,739	5,923,739	118,475	118,475

## 17. Share-based payments

The Company approved and adopted a share option scheme (the "Scheme") in the annual general meeting held on 1st September 2014. Under the Scheme, 72,800,000 options were granted on 29th September 2014 at the exercise price of HK\$0.7 per share. Of the options granted, 30% vested on 29th March 2015, 30% vested will be on 29th September 2015 and the remaining 40% will be vested on 29th March 2016. Each share option gives the holder the right to subscribe for one ordinary share of the Company.

Movements in the number of share options outstanding are as follows:

	Unaudited Six months ended 30th September	
	2017	2016
	<i>No. of share options</i>	<i>No. of share options</i>
<b>At beginning of the period</b>	56,042,000	57,672,000
Forfeited	—	(1,340,000)
Lapsed	(56,042,000)	—
<b>At end of the period</b>	—	56,332,000

Share options outstanding at the beginning of the period were lapsed on 28th September 2017.

**18. Capital commitments**

As at 30th September 2017, the Group had contracted commitments but not provided for in the financial information as follows:

	<b>Unaudited 30th September 2017</b>	Audited 31st March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Film rights, films in progress and film royalty deposits	84,747	60,786
Investments	58,187	55,876
Licenses	—	2,730
	<b>142,934</b>	<b>119,392</b>

**19. 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 2017</b>	Audited 31st March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	6,248	6,130
Later than 1 year and no later than 5 years	25,881	24,877
Later than 5 years	56,948	58,683
	<b>89,077</b>	<b>89,690</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 3 years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>Unaudited 30th September 2017</b>	Audited 31st March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	5,583	2,629
Later than 1 year and no later than 5 years	5,445	1,391
	<b>11,028</b>	<b>4,020</b>

**20. 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 2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Post-production and origination services payable to an associated company	4,966	6,134
Playout services payable to an associated company	2,025	2,250
Rental income receivable from associated companies	487	367
Management fee income receivable from an associated company	122	122
Interest income receivable from an associated company	233	—
Other administrative costs payable to an associated company	368	368

## Interim Dividend

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2017 (2016: Nil).

## Business Review and Management Discussion and Analysis

During the six months ended 30th September 2017, the Group recorded a consolidated revenue of HK\$46,242,000 (2016: HK\$52,759,000) and a loss attributable to owners of the Company of HK\$29,928,000 (2016: HK\$11,633,000). The change from gross profit of HK\$12,216,000 to gross loss of HK\$3,425,000 was mainly attributable to drop in revenues attributable to television operations and cinema operations, and the provision for impairment of film rights during the period.

The contribution of revenues from the Group's television segment for the period dropped slightly from approximately HK\$22.8 million to HK\$20.1 million. As at 30th September 2017, the Group provided channels through various operators, including "RED by HBO" channel through the platform of HBO in certain Asian territories, HD movie channel through Chunghwa Telecom MOD platform and a movie channel through the TVB pay vision in Hong Kong.

Since November 2009, the Group has entered into an agreement with HBO Asia to launch and distribute a channel "RED by HBO" in different Asian countries and territories by stages. This cooperation has helped the Group to distribute its content to Asia and then the global market. It has also helped the Group to establish its brand name in the TV and content provider businesses. Through the cooperation, the Group receives revenues attributable to various Asian countries and territories including Malaysia, Indonesia, Thailand, Philippines, Vietnam, Myanmar, Cambodia and Laos. We look forward to distributing the channel in other Asian countries and territories.

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 remained steady at approximately HK\$9.5 million. Certain new titles are in the progress of shooting and production and are expected to be released to the market 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.

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\$11.7 million (2016: HK\$13.1 million) in aggregate during the period. The drop is mainly due to the increased nearby competition.

During the period, the Group made provisions for impairment in respect of its film rights amounting to HK\$13.8 million (2016: Nil). The provisions were made taken into account the current market conditions and estimated future recoverable amounts in respect of the relevant assets.

During the period, the Group's operating segment of concert performance contributed revenues of approximately HK\$3.9 million (2016: HK\$6.6 million) as less event were held during the period. More events invested will be released in the forthcoming year. The Group is of the view that this segment will continue to bring increasing input to the Group.

In respect of the mobile games applications and video online segment, the Group has launched its video website "www.116.tv" and its video apps "116", 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.

Revenues attributable to other segments, namely sale and distribution of films and programs in audio and visual product format and artiste management were minimal for the period.



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, channel management and mobile application development services to other customers. HKM has started to provide its services under the developed M-OTT platform which enables audiences to watch content through TV, personal computer, smart phone, tablet and 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 expected to contribute future 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 a fair value loss of approximately HK\$5.2 million (2016: gain of HK\$2.9 million). The investment properties portfolio of the Group contributed a surplus on revaluation of approximately HK\$10.6 million (2016: deficit of HK\$1.3 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 2017.

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 2017, the Group has available banking facilities of approximately HK\$72 million, of which approximately HK\$17.6 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\$122 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 2.8% as at 30th September 2017 was based on the total of bank loans and obligations under finance leases of HK\$17,991,000 (of which HK\$10,673,000, HK\$1,634,000, HK\$4,640,000 and HK\$1,044,000 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\$647,286,000. 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 2017, 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 2017, the Group had commitments in respect of film production, film and program licensing agreements and other investments amounting to approximately HK\$143 million in aggregate. The commitments will be financed by the Group's internal resources and banking and other available facilities.

### **Employees**

At 30th September 2017, the Group employed 159 staff (2016: 194). 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\$20.2 million (2016: HK\$23.8 million) were charged to the profit and loss during the period.

## 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 and the annual report for the year ended 31st March 2017.

Movements of the share options granted under the Scheme during the period are as follows:

	Number of options				
	Outstanding at the beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at the end of the period
<b>Directors</b>					
Mr. Li Kuo Hsing	6,500,000	—	—	(6,500,000)	—
Mr. Tong Hing Chi	6,500,000	—	—	(6,500,000)	—
Mr. Li Tang Yuk	4,560,000	—	—	(4,560,000)	—
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)	—
Dr. Lee G. Lam	1,500,000	—	—	(1,500,000)	—
Mr. Guo Yan Jun	1,500,000	—	—	(1,500,000)	—
<b>Employees of</b>					
— the Group	15,846,000	—	—	(15,846,000)	—
— An associated Company	4,566,000	—	—	(4,566,000)	—
Other participants	5,570,000	—	—	(5,570,000)	—
	56,042,000	—	—	(56,042,000)	—

## 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 2017, 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 2017
	Personal interests	Family interests	Corporate interests	
Mr. Li Kuo Hsing	325,557,500	189,843,750 <i>Note (i)</i>	2,446,347,550 <i>Note (ii)</i>	50.00%
Mr. Tong Hing Chi	16,875,000	—	—	0.28%
Mr. Li Tang Yuk	1,940,000	—	—	0.03%
Dr. Dong Ming	5,000,000	—	—	0.08%

*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 2017, 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 2017</b>
Ho Chi Sing	(a)	398,840,000	6.73
IDG-Accel China Growth Fund Associates L.P.	(b)	370,205,516	6.25
IDG-Accel China Growth Fund GP Associates Ltd.	(b)	370,205,516	6.25
Zhou Quan	(b)	370,205,516	6.25
IDG-Accel China Growth Fund — L.P.		307,385,666	5.19
Li Pei Chin		334,042,000	5.64

*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 2017, 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 2017, 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 2017.

## 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 2017.

On behalf of the Board

**Li Kuo Hsing**

*Chairman*

29th November 2017