



美亞娛樂資訊集團有限公司

MEI AH ENTERTAINMENT GROUP LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 0391)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2008

The directors present the interim results and condensed consolidated financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2008. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th September 2008, and the consolidated interim balance sheet of the Group as at 30th September 2008, 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 2008

		Unaudited	
		Six months ended	
		30th September	
		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	90,726	44,466
Cost of sales		(53,833)	(23,190)
Gross profit		36,893	21,276
Other income	5	10,120	11,845
Other losses		(25,700)	(136,881)
Selling and marketing expenses		(8,552)	(2,399)
Administrative and other expenses		(18,065)	(16,429)
Operating loss	6	(5,304)	(122,588)
Finance costs		(4,126)	(5,574)
Share of losses of associated companies		(1,447)	(3,268)
Loss for the period		(10,877)	(131,430)
Attributable to:			
Equity holders of the Company		(10,880)	(131,450)
Minority interests		3	20
		(10,877)	(131,430)
Basic loss per share	8	(1.11 cents)	(14.32 cents)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30th September 2008 and 31st March 2008

		Unaudited 30th September 2008 HK\$'000	Audited 31st March 2008 HK\$'000
	Note		
ASSETS			
Non-current assets			
Leasehold land and land use rights		12,109	12,270
Property, plant and equipment		124,875	128,268
Investment properties		72,150	74,710
Interest in a jointly controlled entity		—	—
Interests in associated companies		12,875	19,631
Goodwill		20,000	—
Available-for-sale financial assets		61,225	59,407
Film rights, films in progress, film sub-licensing rights and deposits		75,294	85,040
Trade and other receivables — non-current portion	10	2,111	5,432
Current assets			
Inventories		8,281	7,458
Trade and other receivables	10	62,916	48,638
Financial assets at fair value through profit and loss		28,401	18,401
Pledged deposit		43,500	30,000
Bank balances and cash		75,760	86,936
		<u>218,858</u>	<u>191,433</u>
Total assets		<u>599,497</u>	<u>576,191</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	98,209	98,209
Reserves		<u>339,979</u>	<u>349,269</u>
Shareholders' funds		438,188	447,478
Minority interests		<u>44</u>	<u>41</u>
Total equity		<u>438,232</u>	<u>447,519</u>

		Unaudited 30th September 2008 <i>HK\$'000</i>	Audited 31st March 2008 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		9,986	9,986
Derivative financial instrument	13	14,005	14,005
Convertible notes — liability portion	13	25,669	22,683
Obligations under finance leases	12	4,744	3,346
		54,404	50,020
Current liabilities			
Trade and other payables	11	75,858	74,589
Obligations under finance leases	12	4,095	2,746
Bank overdrafts and borrowings		25,591	—
Current income tax liabilities		1,317	1,317
		106,861	78,652
Total liabilities		161,265	128,672
Total equity and liabilities		599,497	576,191
Net current assets		111,997	112,781
Total assets less current liabilities		492,636	497,539

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2008

	Attributable to shareholders										
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Exchange difference	Share-based payment	Available-for-sale financial assets revaluation reserve	Buildings revaluation reserve	Retained earnings/ (accumulated losses)	Minority 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
The Group											
At 1st April 2008	98,209	167,569	12	107,099	(16)	22,197	56,358	11,485	(15,435)	41	447,519
Translation of foreign subsidiaries	—	—	—	—	(228)	—	—	—	—	—	(228)
Transfer	—	—	—	—	—	(22,197)	—	—	22,197	—	—
Revaluation surplus	—	—	—	—	—	—	1,818	—	—	—	1,818
Net income recognized directly in equity	—	—	—	—	(228)	(22,197)	1,818	—	22,197	—	1,590
Loss for the period	—	—	—	—	—	—	—	—	(10,880)	3	(10,877)
Total recognized income for the period	—	—	—	—	(228)	(22,197)	1,818	—	11,317	3	(9,287)
At 30th September 2008	98,209	167,569	12	107,099	(244)	—	58,176	11,485	(4,118)	44	438,232
The Company											
At 1st April 2008	98,209	167,569	12	153,110	—	22,197	—	—	(110,821)	—	330,276
Transfer	—	—	—	—	—	(22,197)	—	—	22,197	—	—
Loss for the period	—	—	—	—	—	—	—	—	(3,756)	—	(3,756)
At 30th September 2008	98,209	167,569	12	153,110	—	—	—	—	(92,380)	—	326,520

Attributable to shareholders

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange difference <i>HK\$'000</i>	Share-based payment <i>HK\$'000</i>	Available- for-sale financial assets revaluation reserve <i>HK\$'000</i>	Buildings revaluation reserve <i>HK\$'000</i>	Retained earnings/ (acc- umulated losses) <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
The Group											
At 1st April 2007	82,300	11,156	12	107,099	(306)	—	930	6,809	72,888	12	280,900
Issue of ordinary shares upon conversion of convertible notes	15,909	156,413	—	—	—	—	—	—	—	—	172,322
Final dividend for the year ended 31st March 2007	—	—	—	—	—	—	—	—	(4,910)	—	(4,910)
Translation of foreign subsidiaries	—	—	—	—	(119)	—	—	—	—	—	(119)
Issue of share options	—	—	—	—	—	1,378	—	—	—	—	1,378
Released upon disposal	—	—	—	—	—	—	(930)	—	—	—	(930)
Net income recognized directly in equity	15,909	156,413	—	—	(119)	1,378	(930)	—	(4,910)	—	167,741
Loss for the period	—	—	—	—	—	—	—	—	(131,450)	20	(131,430)
Total recognized income for the period	15,909	156,413	—	—	(119)	1,378	(930)	—	(136,360)	20	36,311
At 30th September 2007	98,209	167,569	12	107,099	(425)	1,378	—	6,809	(63,472)	32	317,211
The Company											
At 1st April 2007	82,300	11,156	12	153,110	—	—	—	—	39,275	—	285,853
Issue of ordinary shares upon conversion of convertible notes	15,909	156,413	—	—	—	—	—	—	—	—	172,322
Final dividend for the year ended 31st March 2007	—	—	—	—	—	—	—	—	(4,910)	—	(4,910)
Issue of share options	—	—	—	—	—	1,378	—	—	—	—	1,378
Loss for the period	—	—	—	—	—	—	—	—	(142,485)	—	(142,485)
At 30th September 2007	98,209	167,569	12	153,110	—	1,378	—	—	(108,120)	—	312,158

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2008

	Unaudited	
	Six months ended	
	30th September	
	2008	2007
	HK\$'000	HK\$'000
Net cash inflow from operating activities	10,810	25,472
Net cash outflow from investing activities	<u>(70,778)</u>	<u>(17,649)</u>
Net cash (outflow)/inflow before financing activities	(59,968)	7,823
Net cash inflow from financing activities	<u>23,201</u>	<u>693</u>
(Decrease)/increase in cash and cash equivalents	(36,767)	8,516
Cash and cash equivalents at the beginning of the period	<u>86,936</u>	<u>6,003</u>
Cash and cash equivalents at the end of the period	<u>50,169</u>	<u>14,519</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	75,760	21,869
Bank loans with maturity less than three months	(23,853)	(4,350)
Bank overdrafts	<u>(1,738)</u>	<u>(3,000)</u>
	<u>50,169</u>	<u>14,519</u>

SELECTED NOTES TO CONDENSED CONSOLIDATED 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, and sale and distribution of films and programs.

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 December 2008.

2 Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30th September 2008 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31st March 2008.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2008. Those new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 31st March 2009 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 2008					
	Television operations HK\$'000	Film exhibition and film rights licensing and sub-licensing HK\$'000	Sale and distribution of films and programs in audio visual product format HK\$'000	Elimination HK\$'000	Group HK\$'000
External sales	34,068	34,176	22,482	—	90,726
Inter-segment sales	—	3,400	—	(3,400)	—
	<u>34,068</u>	<u>37,576</u>	<u>22,482</u>	<u>(3,400)</u>	<u>90,726</u>
Segment results	<u>9,578</u>	<u>5,753</u>	<u>(295)</u>	<u>455</u>	<u>15,491</u>
Unallocated income					9,793
Unallocated costs					<u>(30,588)</u>
Operating loss					(5,304)
Finance costs					(4,126)
Share of losses of associated companies					<u>(1,447)</u>
Loss for the period					<u>(10,877)</u>
Property, plant and equipment					
— Additions	82	121	55	—	258
— Unallocated additons					<u>157</u>
					<u>415</u>
— Depreciation	258	9	304	—	571
— Unallocated depreciation					<u>3,237</u>
					<u>3,808</u>
Film rights, film sub-licensing rights and deposits					
— Additions	9,469	2,600	13,755	(3,400)	22,424
— Amortisation	8,461	11,536	12,423	(3,855)	<u>28,565</u>

Unaudited
Six months ended 30th September 2007

	Television operations <i>HK\$'000</i>	Film exhibition and film rights licensing and sub-licensing <i>HK\$'000</i>	Sale and distribution of films and programs in audio visual product format <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
External sales	29,964	7,231	7,271	—	44,466
Inter-segment sales	—	900	—	(900)	—
	<u>29,964</u>	<u>8,131</u>	<u>7,271</u>	<u>(900)</u>	<u>44,466</u>
Segment results	<u>4,785</u>	<u>2,880</u>	<u>(676)</u>	<u>1,335</u>	<u>8,324</u>
Unallocated income					11,545
Unallocated costs					<u>(142,457)</u>
Operating profit					(122,588)
Finance costs					(5,574)
Share of losses of associated companies					<u>(3,268)</u>
Loss for the period					<u>(131,430)</u>
Property, plant and equipment					
— Additions	71	10	203	—	284
— Unallocated additons					<u>348</u>
					<u>632</u>
— Depreciation	246	20	488	—	754
— Unallocated depreciation					<u>1,960</u>
					<u>2,714</u>
Film rights, film sub-licensing rights and deposits					
— Additions	8,856	16,682	2,430	(900)	27,068
— Amortisation	10,082	3,542	1,736	(2,234)	<u>13,126</u>

Unaudited
As at 30th September 2008

	Television operations <i>HK\$'000</i>	Film exhibition and film rights licensing and sub-licensing <i>HK\$'000</i>	Sale and distribution of films and programs in audio visual product format <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment asset	39,483	64,740	206,232	(2,208)	308,247
Investment in a jointly controlled entity	—	—	—	—	—
Investments in associated companies					12,875
Unallocated assets					278,375
Total assets					599,497
Segment liabilities	43,182 (<i>Note (a)</i>)	39,119	26,577	—	108,878
Unallocated liabilities					52,387
Total liabilities					161,265

Audited
As at 31st March 2008

	Television operations <i>HK\$'000</i>	Film exhibition and film rights licensing and sub-licensing <i>HK\$'000</i>	Sale and distribution of films and programs in audio visual product format <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment asset	35,886	58,974	170,101	(2,618)	262,343
Investment in a jointly controlled entity					—
Investments in associated companies					19,631
Unallocated assets					294,217
Total assets					576,191
Segment liabilities	23,645	34,543	17,631	—	75,819
Unallocated liabilities					52,853
Total liabilities					128,672

Notes:

- (a) Included channel income received in advance from customers.
- (b) The amortization of leasehold land and land use rights amounting to HK\$161,000 (2007: HK\$163,000) is unallocated to the Group's business segments.

Secondary reporting format — geographical segment

The Group's three main business segments operate in two main geographical areas — Hong Kong, and Singapore and other countries.

	Unaudited	
	Six months ended	
	30th September	
	2008	2007
	HK\$'000	HK\$'000
Turnover		
Hong Kong	74,239	37,115
Singapore and other countries	16,487	7,351
	90,726	44,466

Turnover is allocated based on the country in which the customers are located. No geographical analysis is provided for the Group's assets and capital expenditure as less than 10% of the Group's consolidated assets and capital expenditure were attributable to markets outside Hong Kong as at 30th September 2008 and 2007.

5 Other income

	Unaudited	
	Six months ended	
	30th September	
	2008	2007
	HK\$'000	HK\$'000
Dividend income from available-for-sale financial assets	208	77
Gain on disposal of available-for-sale financial assets	—	1,921
Written back of provision for amount due from an associated company	—	3,240
Rental income	7,595	4,745
Interest income	1,293	1,167
Management fee income	697	695
Advertising income	327	—
	10,120	11,845

6 Expenses by nature

Operating profit is stated at after charging the following:

	Unaudited	
	Six months ended	
	30th September	
	2008	2007
	HK\$'000	HK\$'000
Amortisation of film rights	28,565	13,126
Amortisation of leasehold land and land use rights	161	163
Depreciation of fixed assets	3,808	2,714
Cost of goods sold	5,612	2,837
Wages and salaries	8,802	7,373
Pension costs — defined contribution plans	226	187
Provisions for trade and other receivables and amounts due from associated companies	13,337	—
Impairment losses on film rights	3,605	—
Fair value losses on investment properties	2,560	—
Fair value losses on revaluation of financial assets at fair value through profit and loss	6,198	—

7 Taxation

No provision for Hong Kong profits tax and overseas taxation has been made for the period as the Group has available tax losses brought forward from prior years.

The Group's jointly controlled entity in the People's Republic of China ("PRC") did not have any assessable income for the year for the PRC tax purposes and accordingly no provision for PRC tax has been made in the condensed financial information.

8 Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of HK\$10,880,000 (2007: loss of HK\$131,450,000) and on the weighted average of 982,090,905 (2007: 918,241,082) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30th September 2008 is not presented as conversion of the Company's outstanding convertible notes would be anti-dilutive.

9 Dividends

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2008 (2007: Nil).

10 Trade and other receivables

	Unaudited 30th September 2008 HK\$'000	Audited 31st March 2008 HK\$'000
Trade receivables	46,100	27,867
Less: provision for impairment of receivables	(13,531)	(13,531)
Less: discount on non-current portion	(476)	(476)
Trade receivables — net	32,093	13,860
Prepayments, deposits and other receivables	41,099	40,210
Less: provision for impairment of receivables	(8,165)	—
	32,934	40,210
	65,027	54,070
Less: non-current portion of		
— trade receivables	(2,111)	(5,432)
— prepayments, deposits and other receivables	—	—
	(2,111)	(5,432)
	62,916	48,638

The ageing analysis of trade receivables is as follows:

	Unaudited 30th September 2008 HK\$'000	Audited 31st March 2008 HK\$'000
Current to 3 months	21,900	2,392
4 to 6 months	1,081	684
Over 6 months	23,119	24,791
	46,100	27,867

The Group's credit terms to trade receivables generally ranges from 7 to 90 days. Credit terms for certain customers may be extended to over 12 months, after careful consideration of the credit history, credit standing or security in place for these customers. Balances with credit terms of more than 12 months are classified and presented in the consolidated balance sheet under the non-current portion of the receivables.

11 Trade payables

	Unaudited 30th September 2008 <i>HK\$'000</i>	Audited 31st March 2008 <i>HK\$'000</i>
Trade payables	17,685	10,464
Receipts in advance and accruals	57,231	57,586
Bills payable	942	6,539
	<u>75,858</u>	<u>74,589</u>

The ageing analysis of trade payables is as follows:

	Unaudited 30th September 2008 <i>HK\$'000</i>	Audited 31st March 2008 <i>HK\$'000</i>
Current to 3 months	15,441	6,632
4 to 6 months	365	—
Over 6 months	1,879	3,832
	<u>17,685</u>	<u>10,464</u>

12 Borrowings and obligations under finance leases

	Unaudited 30th September 2008 <i>HK\$'000</i>	Audited 31st March 2008 <i>HK\$'000</i>
Bank overdrafts-secured	1,738	—
Secured bank loans	23,853	—
	<u>25,591</u>	<u>—</u>
Borrowings	8,839	6,092
Obligations under finance leases	34,430	6,092

(a) All of the borrowings were repayable within one year.

(b) Obligations under finance leases are repayable in the following periods:

	Unaudited 30th September 2008 HK\$'000	Audited 31st March 2008 HK\$'000
Within one year	4,463	2,969
In the second year	3,618	2,203
In the third to fifth year	<u>1,441</u>	<u>1,405</u>
	9,522	6,577
Future finance charges on finance leases	<u>(683)</u>	<u>(485)</u>
Present value of finance lease liabilities	<u>8,839</u>	<u>6,092</u>
The present value of finance lease liabilities were repayable as follows:		
Within one year	4,095	2,746
In the second year	3,354	2,039
In the third to fifth year	<u>1,390</u>	<u>1,307</u>
	4,744	3,346
	<u>8,839</u>	<u>6,092</u>

13 Convertible notes

	Liability portion HK\$'000	Derivative portion HK\$'000	Total HK\$'000
At 1st April 2008	22,683	14,005	36,688
Interest accretion	3,583	—	3,583
Interest paid during the period	<u>(597)</u>	<u>—</u>	<u>(597)</u>
At 30th September 2008	<u>25,669</u>	<u>14,005</u>	<u>39,674</u>

On 11th August 2006, the Company issued convertible notes (the “Notes”) in an aggregate principal amount of HK\$100 million. The initial conversion price, which is subject to anti-dilution adjustments in certain events and a reset mechanism as set out in the note subscription agreements, is HK\$0.44 per share. As at 30th September 2008, the outstanding principal amount of the Notes was HK\$30,000,000.

14 Share options

In 2007, 77,100,000 options were granted to certain suppliers to subscribe for 77,100,000 shares of the Company at an exercise price of HK\$0.9 per share. The options are exercisable during the period from 1st August 2007 to 30th June 2008, within which not more than 50% of the share options were exercisable during the period from 1st August 2007 to 31st October 2007. None of the options has been exercised since granted and the options were expired on 30th June 2008.

15 Share capital

	Number of ordinary shares		Ordinary shares	
	Unaudited 30th September 2008 '000	Audited 31st March 2008 '000	Unaudited 30th September 2008 HK\$'000	Audited 31st March 2008 HK\$'000
Authorised	<u>3,000,000</u>	<u>3,000,000</u>	<u>300,000</u>	<u>300,000</u>
Issued and fully paid	<u>982,091</u>		<u>98,209</u>	

16 Contingent liabilities

At 30th September 2008, the Company had contingent liabilities of guarantees given to banks in respect of banking facilities granted to subsidiaries to the extent of approximately HK\$29,994,000 (31st March 2008: HK\$29,994,000).

17 Commitments

As at 30th September 2008, the Group had commitments contracted but not provided for in these financial information in respect of film production and licensing agreements amounting to approximately HK\$6,129,000 (31st March 2008: HK\$12,896,000).

18 Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Unaudited Six months ended 30th September 2008 HK\$'000	2007 HK\$'000
Replication fees paid to an associated company	2,407	2,398
Rental income and management fees from associated companies	<u>490</u>	<u>1,343</u>

The above transactions were conducted in the normal course of business and are charged at terms mutually agreed or in accordance with the terms of the underlying agreements, where appropriate.

INTERIM DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September 2008, the Group recorded an unaudited consolidated turnover of HK\$90,726,000 (2007: HK\$44,466,000) and a loss attributable to equity holders of the Company of HK\$10,880,000 (2007: loss of HK\$131,450,000).

The contribution of revenues from the Group's television segment was at the level of approximately HK\$34 million (2007: HK\$30 million). Since the launch of its first broadcasting channel in 2001, which provides movies from the Group's film library and other programs from its business partners, the Group has continuously explored various sources of revenue streams from its television operations. As at 30th September 2008, the Group provided three channels to now TV. In July 2007, the Group commenced a movie channel in Singapore and another drama channel in Singapore commenced in October 2008. These channels contributed steady and secured contribution to the Group. Looking forward, the Group aims to provide channels to other Asian countries and secure advertising income from available air-time in those TV channels, and develop channels with increasing varieties.

The Group will continue to strengthen its film library through acquisition, own production and co-production. 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 customised TV programs to its audiences. The Group also believes that its television segment has huge potential of growth and will continue to bring significant and increasing contribution to the Group's results. Following the increasing popularity of pay TV in Hong Kong and digitalisation of TV signal in Hong Kong and China which allows more broadcasting channels than the existing analogue system, the demand for TV channel contents is expected to increase significantly and the Group believes that it will receive fruitful and encouraging rewards from these new market opportunities and enjoy the prospectus of its television operations.

The contribution of revenues from the Group's segment of film exhibition and film rights licensing and sub-licensing increased from HK\$7 million to HK\$34 million. The release of the first part of "Red Cliff", which received encouraging responses, has contributed the increase. The second part of "Red Cliff" is expected to be released in mid of January 2009.

Since 2007, the Group has strengthened its production arm through the professional production team of BIG Media Group Limited ("BIG") to support its content requirement in respect of the Group's television, licensing and distribution operations and favour from the synergy effect in respect of BIG's film library and the Group's distribution network. The Group was appointed as the exclusive distribution agent to market and license BIG's films.

Despite the above, the Group continues to support Hong Kong's film industry by participating to invest in high quality and popular films.

The revenues attributable to sale and distribution of films and programs in audio visual product format was increased from HK\$7 million to HK\$22 million. During the period, the Group widened its network and source of audio visual products distribution by distributing titles for an international entertainment and media company. The Group will continue to acquire customised and popular films and diversify its distribution channels in order to maintain its competitiveness.

Following the fund raising activities in 2006 and further to the proceeds from the disposal of interests in BIG in January 2008, the working capital of the Group has been significantly enhanced. The gearing ratio of the Group was further improved and the Group believes that it will continue to be benefited from the broadened shareholders' base and its extended exposure to the global entertainment industry. Looking forward, the Group will exploit every opportunities to generate greatest returns for its shareholders and reward their long-term support.

In respect of the writ of summons as referred to in the Company's announcement dated 23rd October 2008, the Company is still consulting legal advice to prepare a statement of defence. Further announcement will be made by the Company in the event of any material further development.

Liquidity and financial resources

At 30th September 2008, the Group has available banking facilities of approximately HK\$65 million, of which approximately HK\$26.5 million were utilised. Certain of the Group's deposits, financial assets at fair value through profit and loss and properties with aggregate net book values of approximately HK\$219 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 17% as at 30th September 2008 was based on the total of convertible notes and derivative financial instrument (with maturity within 1 year) and bank loans and overdrafts (repayable within 1 year) and obligations under finance leases (of which HK\$4,095,000, HK\$3,354,000 and HK\$1,390,000 are repayable within one year, in the second year and in the third to fifth year respectively) of HK\$74,104,000 and the shareholders' funds of approximately HK\$438,232,000. The Group's borrowings and bank balances are primarily denominated in Hong Kong dollars and the Group has no significant exposure to foreign currency fluctuations.

Details of the Group's contingent liabilities and commitments have been set out in notes 16 and 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 2008, the Group employed 50 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.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th September 2008, 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.

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 2008.

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 2008.

On behalf of the Board

Li Kuo Hsing

Chairman

29th December 2008

As at the date of this announcement, the executive directors are Mr. Li Kuo Hsing, Mr. Tong Hing Chi and Mr. Chau Kei Leung, the non-executive directors are Mr. Hugo Shong and Mr. Chan Ngan Piu and the independent non-executive directors are Ms. Wang Huarong, Mr. Cheung Ming Man and Dr. Lee G. Lam.