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美亞娛樂資訊集團有限公司

MEI AH ENTERTAINMENT GROUP LTD.

(Incorporated in Bermuda with limited liability)
(Stock code: 391)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

The directors present the condensed consolidated financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2011. 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 2011, and the consolidated interim balance sheet of the Group as at 30th September 2011, 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 2011

		Unaudited Six months ended 30th September	
	<i>Note</i>	2011 HK\$'000	2010 HK\$'000
Turnover	4	240,081	83,812
Cost of sales		(153,596)	(43,207)
Gross profit		86,485	40,605
Other income	5	4,671	7,757
Other (losses)/gains — net	6	(9,489)	13,897
Selling and marketing expenses		(20,806)	(728)
Administrative expenses		(32,714)	(25,217)
Operating profit	7	28,147	36,314
Finance income		300	215
Finance costs		(288)	(447)
Finance income/(costs) — net		12	(232)
Share of profit of associated companies		2,228	—
Profit before income tax		30,387	36,082
Income tax expense	8	(7,055)	(5,743)
Profit for the period		23,332	30,339
Profit/(loss) attributable to:			
Equity holders of the Company		23,896	32,255
Non-controlling interests		(564)	(1,916)
		23,332	30,339
Earnings per share	9		
Basic		0.42 cents	0.59 cents
Diluted		0.42 cents	0.59 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2011

	Unaudited	
	Six months ended	
	30th September	
	2011	2010
	HK\$'000	HK\$'000
Profit for the period	23,332	30,339
Other comprehensive income/(loss)		
Surplus on revaluation of buildings	14,919	2,100
Deferred taxation arising from revaluation surplus of buildings	(2,462)	(346)
Fair value losses on available-for-sale financial assets	(17,970)	(8,963)
Impairment loss on available-for-sale financial assets	332	—
Release of available-for-sale financial assets revaluation reserve upon disposal	—	(8,370)
Currency translation differences	300	(627)
Other comprehensive loss for the period, net of tax	(4,881)	(16,206)
Total comprehensive income for the period	18,451	14,133
Attributable to:		
— Equity holders of the company	19,015	16,049
— Non-controlling interests	(564)	(1,916)
Total comprehensive income for the period	18,451	14,133

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30th September 2011 and 31st March 2011

		Unaudited 30th September 2011 <i>HK\$'000</i>	Audited 31st March 2011 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Leasehold land and land use rights	11	30,843	31,237
Property, plant and equipment	11	148,773	118,256
Investment properties	11	166,475	146,725
Interest in an associated company		2,504	276
Available-for-sale financial assets		4,126	22,096
Film rights, films in progress and film royalty deposits		141,345	121,567
Trade and other receivables			
— non-current portion	12	5,819	—
		499,885	440,157
Current assets			
Inventories		1,243	5,732
Trade and other receivables	12	65,965	29,258
Amount due from an associated company		11,649	3,479
Financial assets at fair value through profit and loss		52,535	51,095
Pledged bank deposits		43,500	43,500
Cash and cash equivalents		55,789	102,445
		230,681	235,509
Total assets		730,566	675,666
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	16	112,661	112,661
Share premium		126,733	126,733
Reserves		369,857	350,842
Shareholders' funds		609,251	590,236
Non-controlling interests		(3,706)	(3,147)
Total equity		605,545	587,089

		Unaudited 30th September 2011 <i>HK\$'000</i>	Audited 31st March 2011 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	14	5,859	6,235
Obligations under finance leases	15	—	252
Deferred income tax liabilities		22,858	16,789
		<u>28,717</u>	<u>23,276</u>
Current liabilities			
Trade and other payables	13	72,621	49,408
Borrowings	14	9,849	5,381
Obligations under finance leases	15	629	755
Current income tax liabilities		13,205	9,757
		<u>96,304</u>	<u>65,301</u>
Total liabilities		<u>125,021</u>	<u>88,577</u>
Total equity and liabilities		<u>730,566</u>	<u>675,666</u>
Net current assets		<u>134,377</u>	<u>170,208</u>
Total assets less current liabilities		<u>634,262</u>	<u>610,365</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2011

	Attributable to equity holders									
	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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group										
At 1st April 2011	112,661	126,733	12	189,009	(1,910)	16,339	19,535	127,857	(3,147)	587,089
Comprehensive income										
Profit for the period	—	—	—	—	—	—	—	23,896	(564)	23,332
Other comprehensive income/(loss)										
Fair value losses on available-for-sale financial assets	—	—	—	—	—	—	(17,970)	—	—	(17,970)
Impairment loss on available-for-sale financial assets	—	—	—	—	—	—	332	—	—	332
Surplus on revaluation of buildings	—	—	—	—	—	14,919	—	—	—	14,919
Deferred tax arising from revaluation surplus of buildings	—	—	—	—	—	(2,462)	—	—	—	(2,462)
Translation of foreign subsidiaries	—	—	—	—	300	—	—	—	—	300
Total other comprehensive income/(loss)	—	—	—	—	300	12,457	(17,638)	—	—	(4,881)
Total comprehensive income/(loss) for the period	—	—	—	—	300	12,457	(17,638)	23,896	(564)	18,451
Transactions with owners										
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	5	5
At 30th September 2011	112,661	126,733	12	189,009	(1,610)	28,796	1,897	151,753	(3,706)	605,545

Attributable to equity holders

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange difference <i>HK\$'000</i>	Buildings revaluation reserve <i>HK\$'000</i>	Available- for-sale financial assets revaluation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
The Group										
At 1st April 2010	98,209	—	12	189,009	(2,401)	12,338	42,662	72,857	2,434	415,120
Comprehensive income										
Profit for the period	—	—	—	—	—	—	—	32,255	(1,916)	30,339
Other comprehensive income/(loss)										
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	(8,963)	—	—	(8,963)
Release upon disposal	—	—	—	—	—	—	(8,370)	—	—	(8,370)
Revaluation surplus	—	—	—	—	—	2,100	—	—	—	2,100
Deferred tax arising from revaluation of buildings	—	—	—	—	—	(346)	—	—	—	(346)
Translation of foreign subsidiaries	—	—	—	—	(627)	—	—	—	—	(627)
Total other comprehensive income/(loss)	—	—	—	—	(627)	1,754	(17,333)	—	—	(16,206)
Total comprehensive income/(loss) for the period	—	—	—	—	(627)	1,754	(17,333)	32,255	(1,916)	14,133
Transactions with owners										
Issue of shares, net of expenses	14,452	126,469	—	—	—	—	—	—	—	140,921
At 30th September 2010	112,661	126,469	12	189,009	(3,028)	14,092	25,329	105,112	518	570,174

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2011

	Unaudited	
	Six months ended	
	30th September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	32,764	58,408
Net cash outflow from investing activities	(82,851)	(40,487)
Net cash inflow from financing activities	(1,024)	114,806
(Decrease)/increase in cash and cash equivalents and bank overdrafts	(51,111)	132,727
Cash and cash equivalents and bank overdrafts at the beginning of the period	97,922	17,533
Cash and cash equivalents and bank overdrafts at the end of the period	46,811	150,260
Analysis of balances of cash and cash equivalents and bank overdrafts:		
Cash and cash equivalents	55,789	152,724
Bank overdrafts	(8,978)	(2,464)
	46,811	150,260

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 and artiste management.

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

This condensed consolidated interim financial information was approved for issue on 30th November 2011.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September 2011 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 2011, which have been prepared in accordance with HKFRSs.

3. Accounting policies

The accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March 2011, except as mentioned below.

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

(a) New and amended Standards adopted by the Group

During the period, the Group has adopted the following revised standards and amendments to standards issued by HKICPA, which are mandatory for the first time for the financial year beginning 1st April 2011. The adoption of these revised standards and amendments to standards does not have any significant impact on the Group’s reported results and financial position.

HKAS 24 (Revised)	Related Party Disclosures
HKAS 34 (Amendment)	Interim Financial Reporting

(b) Amendments and integrations to existing standards effective in 2011 but not relevant to the Group

The following revised standards, amendments to standards and interpretations are effective for the financial year beginning 1st April 2011 but not relevant to the Group.

HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosure for first-time adopters
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
Third improvements to HKFRS (2010) issued in May 2010 by HKICPA.	

(c) Amendments to standards and interpretations that have been issued but are not effective

The following revised standards and amendments to standards have been issued but are not effective for the financial year beginning 1st April 2011 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1st July 2011
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets	1st July 2011
HKFRS 9	Financial Instruments	1st January 2013
HKFRS 10	Consolidated financial statements	1st January 2013
HKFRS 11	Joint arrangements	1st January 2013
HKFRS 12	Disclosure of interests in other entities	1st January 2013
HKFRS 13	Fair value measurements	1st January 2013
HKAS 1 (Amendment)	Presentation of financial statements	1st January 2012
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKAS 19 (Amendment)	Employee benefits	1st January 2013

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 2011						
	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>	Artiste management <i>HK\$'000</i>	Property investment <i>HK\$'000</i> <i>(note (a))</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
External sales	63,814	159,417	10,067	6,783	—	—	240,081
Inter-segment sales	—	450	—	—	—	(450)	—
Segment revenue	<u>63,814</u>	<u>159,867</u>	<u>10,067</u>	<u>6,783</u>	<u>—</u>	<u>(450)</u>	<u>240,081</u>
Reportable segment profit	16,144	22,644	(4,076)	3,181	21,880	1,198	60,971
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	172	160	491	—	—	—	823
Amortisation for film rights	16,527	22,475	1,070	—	—	(1,646)	38,426
Additions to property, plant and equipment	46	14,902	669	—	—	—	15,617
Additions to film rights, films in progress and film royalty deposits	9,181	48,184	1,287	—	—	(448)	58,204
As at 30th September 2011							
Reportable segment assets	52,916	192,582	83,457	1,417	168,655	(1,082)	497,945
Reportable segment liabilities	(23,312)	(52,989)	(15,256)	(487)	(31,338)	—	(123,382)

Unaudited
Six months ended 30th September 2010

	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>	Artiste management <i>HK\$'000</i>	Property investment <i>HK\$'000</i> <i>(note (a))</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
External sales	61,560	9,474	12,778	—	—	—	83,812
Inter-segment sales	—	600	—	—	—	(600)	—
Segment revenue	<u>61,560</u>	<u>10,074</u>	<u>12,778</u>	<u>—</u>	<u>—</u>	<u>(600)</u>	<u>83,812</u>
Reportable segment profit	15,061	3,205	3,736	—	20,706	509	43,217
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	349	48	359	—	—	—	756
Amortisation for film rights	18,864	3,900	4,693	—	—	(1,109)	26,348
Additions to property, plant and equipment	32	—	1,687	—	—	—	1,719
Additions to film rights, films in progress and film royalty deposits	20,826	12,206	6,923	—	—	(601)	39,354
As at 31st March 2011							
Reportable segment assets	56,683	97,528	153,751	—	148,486	(2,281)	454,167
Reportable segment liabilities	<u>(23,828)</u>	<u>(22,321)</u>	<u>(10,900)</u>	<u>—</u>	<u>(18,275)</u>	<u>—</u>	<u>(75,324)</u>

Profit or loss

	Unaudited	
	Six months ended	
	30th September	
	2011	2010
	HK\$'000	HK\$'000
Reportable segment profit	60,971	43,217
Unallocated amounts:		
Unallocated other income	611	481
Unallocated other gains/(losses) — net	(29,239)	(3,285)
Depreciation and amortisation of property, plant and equipment and leasehold land and land use rights	(3,101)	(3,285)
Unallocated share of profit of associated companies	2,228	—
Unallocated corporate expenses	(1,083)	(1,046)
Profit before income tax	30,387	36,082
Additions to property, plant and equipment		
Attributable to reportable segments	15,617	1,719
Unallocated additions	3,511	3,346
	19,128	5,065
	Unaudited	Audited
	30th	31st
	September	March
	2011	2011
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	497,945	454,167
Unallocated assets:		
Unallocated property, plant and equipment and leasehold land and land use rights	153,908	141,669
Unallocated available-for-sale financial assets	4,126	22,096
Unallocated financial assets at fair value through profit or loss	52,535	51,095
Unallocated cash and cash equivalents	328	839
Unallocated interests in and amounts due from associated companies	14,153	3,755
Unallocated corporate assets	7,571	2,045
Total assets per consolidated balance sheet	730,566	675,666
Liabilities		
Reportable segment liabilities	123,382	75,324
Unallocated liabilities:		
Unallocated bank borrowings	—	11,616
Unallocated corporate liabilities	1,639	1,637
Total liabilities per consolidated balance sheet	125,021	88,577

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:

	Revenues from external customers		Non-current assets (other than interest in an associated company and financial instruments)	
	Unaudited Six months ended 30th September 2011 HK\$'000	2010 HK\$'000	Unaudited 30th September 2011 HK\$'000	Audited 31st March 2011 HK\$'000
Hong Kong	46,961	48,723	355,763	313,634
Singapore	28,031	24,455	—	—
People's Republic of China	156,394	—	123,420	96,981
Other countries	8,695	10,634	8,253	7,170
	<u>240,081</u>	<u>83,812</u>	<u>487,436</u>	<u>417,785</u>

Note

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

5. Other income

	Unaudited Six months ended 30th September 2011 HK\$'000	2010 HK\$'000
Dividend income from available-for-sale financial assets	740	481
Rental income	2,319	3,875
Management fee and other income	1,612	3,401
	<u>4,671</u>	<u>7,757</u>

6. Other (losses)/gains — net

	Unaudited Six months ended 30th September	
	2011	2010
	HK\$'000	HK\$'000
Surplus on revaluation of investment properties	19,750	17,182
Fair value losses on financial assets at fair value through profit or loss	(28,907)	(9,316)
Impairment loss on available-for-sale financial assets	(332)	—
Gain on disposal of available-for-sale financial assets	—	6,031
	<u>(9,489)</u>	<u>13,897</u>

7. Expenses by nature

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

	Unaudited Six months ended 30th September	
	2011	2010
	HK\$'000	HK\$'000
Amortisation of film rights	38,426	26,348
Patent rights	4,950	4,875
Amortisation of leasehold land and land use rights	394	161
Depreciation of property, plant and equipment	3,530	3,880
Cost of goods sold	5,688	2,532
Wages and salaries	15,975	12,549
Pension costs — defined contribution plans	289	262
Theatrical costs	88,771	2,636

8. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

	Unaudited Six months ended 30th September	
	2011	2010
	HK\$'000	HK\$'000
Current income tax — Hong Kong profits tax	3,448	3,312
Deferred income tax	3,607	2,431
	<u>7,055</u>	<u>5,743</u>

9. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$23,896,000 (2010: HK\$32,255,000) and on the weighted average of 5,633,035,000 (2010: 5,479,042,000) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September 2011 and 2010 were the same as the basic 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 2011 (2010: Nil).

11. Leasehold land and land use rights, property, plant and equipment and investment properties

	Leasehold land and land use rights HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000
Six months ended 30th September 2011			
Opening net book amount	31,237	118,256	146,725
Surplus on revaluation	—	14,919	19,750
Additions	—	19,128	—
Depreciation and amortisation	(394)	(3,530)	—
Closing net book amount	<u>30,843</u>	<u>148,773</u>	<u>166,475</u>
Six months ended 30th September 2010			
Opening net book amount	32,025	105,852	123,898
Surplus on revaluation	—	2,100	17,182
Additions	—	5,065	—
Depreciation and amortisation	(161)	(3,880)	—
Closing net book amount	<u>31,864</u>	<u>109,137</u>	<u>141,080</u>

12. Trade and other receivables

	Unaudited 30th September 2011 HK\$'000	Audited 31st March 2011 HK\$'000
Trade receivables	68,966	37,076
Less: provision for impairment of receivables	<u>(22,596)</u>	<u>(22,596)</u>
Trade receivables-net	46,370	14,480
Prepayments, deposits and other receivables	25,414	14,778
Less: non-current portion of prepayments, deposits and other receivables	<u>(5,819)</u>	<u>—</u>
	<u>19,595</u>	<u>14,778</u>
	<u>65,965</u>	<u>29,258</u>

The ageing analysis of trade receivables is as follows:

	Unaudited 30th September 2011 HK\$'000	Audited 31st March 2011 HK\$'000
Current to 3 months	45,832	14,030
4 to 6 months	247	450
Over 6 months	<u>22,887</u>	<u>22,596</u>
	<u>68,966</u>	<u>37,076</u>

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

As at 30th September 2011, loan to a third party of HK\$6,059,000 (31st March 2011: Nil), which was secured and interest-bearing, was included in prepayments, deposits and other receivables, of which HK\$5,819,000 (31st March 2011: Nil) repayable over 1 year was classified as non-current portion.

13. Trade payables

	Unaudited 30th September 2011 HK\$'000	Audited 31st March 2011 HK\$'000
Trade payables	5,609	4,011
Receipts in advance	32,411	16,643
Other payables and accruals	34,601	28,754
	<u>72,621</u>	<u>49,408</u>

The ageing analysis of trade payables is as follows:

	Unaudited 30th September 2011 HK\$'000	Audited 31st March 2011 HK\$'000
Current to 3 months	3,663	2,209
4 to 6 months	61	—
Over 6 months	1,885	1,802
	<u>5,609</u>	<u>4,011</u>

14. Borrowings

	Unaudited 30th September 2011 HK\$'000	Audited 31st March 2011 HK\$'000
Bank overdrafts — secured	8,978	4,523
Secured bank loans — current portion	871	858
Bank borrowings — current portion	9,849	5,381
Secured bank loans — non-current portion	5,859	6,235
Total borrowings	<u>15,708</u>	<u>11,616</u>

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

	Unaudited 30th September 2011 HK\$'000	Audited 31st March 2011 HK\$'000
No later than 1 year	9,849	5,381
Between 1 to 2 years	960	902
Between 2 to 5 years	3,328	3,140
	14,137	9,423
Later than 5 years	1,571	2,193
	15,708	11,616

15. Obligations under finance leases

Obligations under finance leases are repayable in the following periods:

	Unaudited 30th September 2011 HK\$'000	Audited 31st March 2011 HK\$'000
Gross finance lease liabilities		
— minimum lease payments		
Within 1 year	663	797
Later than 1 year and no later than 5 years	—	265
	663	1,062
Future finance charges on finance leases	(34)	(55)
Present value of finance lease liabilities	629	1,007
The present value of finance lease liabilities were repayable as follows:		
Within 1 year	629	755
Later than 1 year and no later than 5 years	—	252
	629	1,007

16. Share capital

	Number of ordinary shares		Ordinary shares	
	Unaudited 30th September 2011 '000	Audited 31st March 2011 '000	Unaudited 30th September 2011 HK\$'000	Audited 31st March 2011 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

17. Contingent liabilities

At 30th September 2011, the Company had contingent liabilities of guarantees given to banks in respect of banking facilities granted to subsidiaries to the extent of approximately HK\$36,700,000 (31st March 2011: HK\$36,700,000).

18. Capital commitments

As at 30th September 2011, the Group had contracted commitments but not provided for in the financial information as follows:

	Unaudited 30th September 2011 HK\$'000	Audited 31st March 2011 HK\$'000
Commitments in respect of		
— property, plant and equipment	—	188
— film production	55,973	41,415
— film and program licensing agreements	4,987	8,513
	60,960	50,116

19. 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 2 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 2011 HK\$'000	Audited 31st March 2011 HK\$'000
No later than 1 year	4,368	3,545
Later than 1 year and no later than 5 years	17,112	18,004
Later than 5 years	40,128	48,423
	<u>61,608</u>	<u>69,972</u>

(b) Operating lease commitments — Group company as lessor

The Group leases its investment properties to certain customers under non-cancellable operating leases. The lease terms are between 2 to 4 years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited 30th September 2011 HK\$'000	Audited 31st March 2011 HK\$'000
No later than 1 year	4,472	4,107
Later than 1 year and no later than 5 years	4,047	3,554
	<u>8,519</u>	<u>7,661</u>

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:

	Unaudited	
	Six months ended	
	30th September	
	2011	2010
	HK\$'000	HK\$'000
Post-production and origination services payable to an associated company	9,605	6,030
Playout services payable to an associated company	1,908	1,908
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	80	80

INTERIM DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September 2011, the Group recorded an unaudited consolidated turnover of HK\$240,081,000 (2010: HK\$83,812,000) and a profit attributable to equity holders of the Company of HK\$23,896,000 (2010: HK\$32,255,000).

The contribution of revenues from the Group's television segment was increased slightly to the level of approximately HK\$64 million (2010: HK\$61 million). Since the launch of its first broadcasting channel in 2001, which broadcasts movies from the Group's film library and other programs from its business partners, the Group has continuously explored opportunities to broaden the revenue streams of its television operations. As at 30th September 2011, the Group provided three channels to now TV in Hong Kong. Since July 2007 and October 2008, the Group has launched a movie channel and a drama channel respectively through the network of SingTel and under the name of MioTV in Singapore. These channels contributed steady and secured contribution to the Group during the period. At the end of October 2011, the drama channel in SingTel has been terminated and the Group will continue to explore other opportunities to develop its market in Singapore.

In November 2009, the Group entered into an agreement with HBO Asia to provide contents of films and drama through the launch of “RED Channel” in different territories by stages. This co-operation has enhanced the Group’s exposure to the global entertainment market and also helped the Group to establish its channel brandname. RED Channel has been launched in Indovision and First Media Cable in Indonesia in April and August 2010 respectively and Hypp TV, the IPTV platform of TM Net in Malaysia in October 2010. In Philippines, CableBoss was appointed as a cable TV distributor of RED channel in August 2010 and RED channel was also launched on Philippines Multi-media Systems, Inc.’s direct-to-home platform in November 2010. RED Channel is also seeking the opportunity to launch in Vietnam soon.

In August 2010, the Group also launched a channel through Chunghwa Telecom Movie On Demand (MOD) platform in Taiwan which also contributed increasing revenues to the Group.

The Group has penetrated into the market of Japan since September 2008. At the end of May 2011, the Group ceased its channel in Sky PerfecTV for ease of cost efficiency and is now co-operating with cable and internet operators in Japan such as yahoo BBTv and Gyao for launching its programs.

Looking forward, the Group aims to provide channels to other countries, explore opportunities of additional revenues arising from TV channels and develop channels with increasing varieties.

The contribution of revenues from the Group’s film exhibition and film rights licensing and sub-licensing segment was increased sharply from HK\$10 million to HK\$160 million and its artiste management sector also contributed approximately HK\$7 million (2010: Nil) to the Group.

During the period, namely “Don’t Go Breaking My Heart” and “Mysterious Island” were released in China. Both of which received positive responses from the market and contributed significant revenues and encouraging return to the Group. As at 30th September 2011, a number of other film and drama projects are being produced and planned and more films are expected to be released in the forthcoming financial years. Besides self-producing and investing, the Group will also make use of its wide distribution network developed for years and develop its business of distribution agency for film and drama projects. This sector also provides steady and secured income source to the Group.

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 programs to its audiences.

Following the number of broadcasting channels in Hong Kong and China, the demand for channel contents is expected to increase continuously and the Group believes that it will receive encouraging results and fruitful rewards from these new market opportunities.

The Group signed up to manage the jobs of a number of pop stars and artistes in Hong Kong and China and commenced the development of the Group's artiste management business since last year. It becomes a base to build our talent management business and the Group will continue to seek potential artistes and performers in order to build up a talent pool from which all future productions will be benefited.

Following the development of its economic environment, China's film exhibition industry and box office income has grown rapidly in the recent years. Taking into account of the huge demand but limited theatre supply in China, the Group started to penetrate into the China theatrical market. A team has been set up for the theatrical operation and the Group has located sites in Tianjin, Yangzhou, Shanghai and Chengdu to develop theatres there. All of those planned theatres have over 1,000 seats and are multiplexes, digital equipped and certain of which are also 3D equipped. These theatres are expected to come to operate in 1-2 years. The Group's another investment in a Guangzhou theatre is also in the process of seeking approval from relevant authority.

The revenues attributable to sale and distribution of films and programs in audio and visual product format dropped from HK\$13 million to HK\$10 million, which is mainly attributable to the overall industrial climate and less new titles were released during the year. 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 now exploring to diversify its distribution network to online downloading and streaming in order to adapt to the expected future consumer behavior. The Group considers the new media investment will ignite a revolution to the video distribution industry and fit the expected market demand.

Following the recent downturn in the global investment market conditions, the Group's financial assets at fair value through profit and loss recorded an unrealised loss of approximately HK\$29 million (2010: HK\$9 million) during the period. However, benefiting from the rise in property market in Hong Kong and China during the period, the investment properties portfolio of the Group still contributed a surplus on revaluation of approximately HK\$20 million (2010: HK\$17 million) during the period. Such unrealised gains/losses have no effect on the Group's cash flow.

Following the top-up placing took place in May 2011, the equity base of the Company was further broadened and strengthened and the Group believes that it will continue to be benefited from that and its increasing exposure to the global entertainment industry.

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

Looking forward, the Group will explore other opportunities to generate greatest returns for its shareholders and reward their long-term support.

Liquidity and financial resources

At 30th September 2011, the Group has available banking facilities of approximately HK\$73.5 million, of which approximately HK\$15.7 million were utilised. Certain of the Group's deposits and properties with aggregate net book values of HK\$253 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 3% as at 30th September 2011 was based on the total of bank loans and overdrafts of HK\$15,708,000 (of which HK\$9,849,000, HK\$960,000, HK\$3,328,000 and HK\$1,571,000 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\$629,000 (repayable within one year) and the shareholders' funds of approximately HK\$609,251,000. The Group's borrowings and bank balances are primarily denominated in Hong Kong dollars and Renminbi and has no significant exposure to foreign currency fluctuations.

Details of the Group's contingent liabilities and commitments have been set out in notes 17 to 19 to the condensed consolidated financial information. The commitments will be financed by the Group's internal resources and banking facilities.

Employees

At 30th September 2011, the Group employed 112 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 2011, 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 2011, 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 2011.

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 2011.

On behalf of the Board

Li Kuo Hsing

Chairman

30th November 2011

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