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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 2012

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 2012

		Unaudited Six months ended 30th September	
	Note	2012 HK\$'000	2011 HK\$'000 (Restated)
Turnover	4	365,733	240,081
Cost of sales		(316,833)	(153,596)
Gross profit		48,900	86,485
Other income	5	5,934	4,671
Other gains/(losses) — net	6	15,695	(9,489)
Selling and marketing expenses		(47,828)	(20,806)
Administrative expenses		(33,808)	(32,714)
Operating (loss)/profit	7	(11,107)	28,147
Finance income		337	300
Finance costs		(626)	(288)
Finance (costs)/income — net		(289)	12
Share of profit of associated companies		—	2,228
(Loss)/profit before income tax		(11,396)	30,387
Income tax expense	8	(3,088)	(5,114)
(Loss)/profit for the period		(14,484)	25,273
(Loss)/profit attributable to:			
Equity holders of the Company		(16,275)	25,837
Non-controlling interests		1,791	(564)
		(14,484)	25,273
(Loss)/earnings per share	9		
Basic		(0.29 cents)	0.46 cents
Diluted		(0.29 cents)	0.46 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30th September 2012*

	Unaudited	
	Six months ended	
	30th September	
	2012	2011
	HK\$'000	HK\$'000
		(Restated)
(Loss)/profit for the period	<u>(14,484)</u>	<u>25,273</u>
Other comprehensive income/(loss)		
Surplus on revaluation of buildings	3,743	14,919
Deferred taxation arising from revaluation surplus of buildings	(455)	(2,462)
Fair value losses on available-for-sale financial assets	(2,798)	(17,970)
Impairment loss on available-for-sale financial assets	—	332
Currency translation differences	<u>(199)</u>	<u>300</u>
Other comprehensive income/(loss) for the period, net of tax	<u>291</u>	<u>(4,881)</u>
Total comprehensive (loss)/income for the period	<u>(14,193)</u>	<u>20,392</u>
Attributable to:		
— Equity holders of the Company	(15,984)	20,956
— Non-controlling interests	<u>1,791</u>	<u>(564)</u>
Total comprehensive (loss)/income for the period	<u>(14,193)</u>	<u>20,392</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30th September 2012 and 31st March 2012

		Unaudited 30th September 2012 <i>HK\$'000</i>	Audited 31st March 2012 <i>HK\$'000</i> (Restated)
	<i>Note</i>		
ASSETS			
Non-current assets			
Leasehold land and land use rights		30,055	30,449
Property, plant and equipment		161,664	160,530
Intangible assets		990	—
Investment properties		207,267	183,410
Interests in associated companies		—	—
Available-for-sale financial assets		9,755	12,553
Film rights, films in progress and film royalty deposits		116,001	218,060
Other receivables	11	5,560	5,694
		531,292	610,696
Current assets			
Inventories		1,347	1,578
Trade and other receivables	11	157,680	52,239
Amounts due from associated companies		17,735	18,018
Financial assets at fair value through profit and loss		36,679	49,396
Pledged bank deposits		23,500	23,500
Cash and cash equivalents		34,903	53,464
		271,844	198,195
Total assets		803,136	808,891
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	112,661	112,661
Share premium		126,733	126,733
Reserves		354,040	370,024
		593,434	609,418
Shareholders' funds		593,434	609,418
Non-controlling interests		10,642	6,170
Total equity		604,076	615,588

		Unaudited 30th September 2012 <i>HK\$'000</i>	Audited 31st March 2012 <i>HK\$'000</i> (Restated)
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	13	5,023	5,506
Deferred income tax liabilities		15,492	13,349
		20,515	18,855
Current liabilities			
Trade and other payables	12	93,860	53,901
Receipts in advance		46,814	72,623
Borrowings	13	24,464	32,458
Obligations under finance leases	14	—	252
Current income tax liabilities		13,407	15,214
		178,545	174,448
Total liabilities		199,060	193,303
Total equity and liabilities		803,136	808,891
Net current assets		93,299	23,747
Total assets less current liabilities		624,591	634,443

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2012

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

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>	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 2011, as previously reported	112,661	126,733	12	189,009	(1,910)	16,339	19,535	127,857	(3,147)	587,089
Adjustment of change in accounting policy — IAS/HKAS 12 (<i>note 3(a)</i>)	—	—	—	—	—	—	—	11,244	—	11,244
At 1st April 2012, as restated	112,661	126,733	12	189,009	(1,910)	16,339	19,535	139,101	(3,147)	598,333
Comprehensive income										
Profit for the period, as restated	—	—	—	—	—	—	—	25,837	(564)	25,273
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, as restated	—	—	—	—	300	12,457	(17,638)	25,837	(564)	20,392
Transactions with owners										
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	5	5
At 30th September 2011, as restated	112,661	126,733	12	189,009	(1,610)	28,796	1,897	164,938	(3,706)	618,730

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2012

	Unaudited	
	Six months ended	
	30th September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(6,635)	32,764
Net cash outflow from investing activities	(5,734)	(82,851)
Net cash inflow/(outflow) from financing activities	<u>1,799</u>	<u>(1,024)</u>
Decrease in cash and cash equivalents	(10,570)	(51,111)
Cash and cash equivalents at the beginning of the period	<u>34,958</u>	<u>97,922</u>
Cash and cash equivalents at the end of the period	<u>24,388</u>	<u>46,811</u>
Analysis of balances of cash and cash equivalents:		
Cash at bank, on hand and short-term bank deposits	34,903	55,789
Bank overdrafts	<u>(10,515)</u>	<u>(8,978)</u>
	<u>24,388</u>	<u>46,811</u>

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 and theatre operations.

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 2012.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September 2012 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 2012, which have been prepared in accordance with HKFRSs.

3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2012, 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.

(a) Change in accounting policy on the provision of deferred tax on revaluation of investment properties:

The following amendment to standard is mandatory for the first time for the financial year beginning 1st April 2012 and relevant to the Group.

The HKICPA has amended HKAS 12 “Income taxes” to introduce an exception to the principle for the measurement of deferred tax assets and liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely through sale. The amendment is applicable retrospectively to annual periods beginning on or after 1st April 2012.

The Group has adopted this amendment retrospectively for the financial period ended 30th September 2012 and the effects of adoption are disclosed as follows.

The Group has investment properties measured at their fair values totalling HK\$183,410,000 as of 1st April 2012 (1st April 2011: HK\$146,725,000). As required by the amendment, the Group has re-measured the deferred tax relating to certain investment properties amounting to HK\$14,652,000 as of 1st April 2012 (1st April 2011: HK\$11,244,000) according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. The comparative figures for 2011 have been restated to reflect the change in accounting policy, as summarised below:

	30th September 2012 HK\$'000	31st March 2012 HK\$'000
Effect on consolidated balance sheet		
Decrease in deferred tax liabilities	17,698	14,652
Increase in retained earnings	17,698	14,652
	Six months ended 30th September 2012 HK\$'000	2011 HK\$'000
Effect on consolidated income statement		
Decrease in income tax expense	3,046	1,941
Increase in net profit attributable to owners of the Company	3,046	1,941
Increase in basic EPS	0.05 cents	0.04 cents
Increase in diluted EPS	0.05 cents	0.04 cents

- (b) Those other new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 31st March 2013 are either not relevant to the Group or have no material impact on the Group.

4. Segment information

An analysis of the Group's revenues and results for the period by business segments, being the primary reporting format, is as follows:

	Unaudited Six months ended 30th September 2012							
	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>	Theatre operations <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	28,553	318,861	7,944	6,294	4,081	—	—	365,733
Inter-segment sales	—	195	—	—	—	—	(195)	—
Segment revenue	<u>28,553</u>	<u>319,056</u>	<u>7,944</u>	<u>6,294</u>	<u>4,081</u>	<u>—</u>	<u>(195)</u>	<u>365,733</u>
Reportable segment profit/(loss)	(8,445)	(17,750)	(1,218)	5,168	(4,127)	26,851	214	693
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	(137)	(185)	(317)	—	(2,067)	—	—	(2,706)
Amortisation for film rights	(7,004)	(71,740)	(381)	—	—	—	409	(78,716)
Provisions for impairment of film rights	(14,876)	(11,593)	—	—	—	—	—	(26,469)
Additions to property, plant and equipment	23	74	—	—	1,637	—	—	1,734
Additions to film rights, films in progress and film royalty deposits	5,283	23,801	139	—	—	—	(194)	29,029
As at 30th September 2012								
Reportable segment assets	25,104	257,196	39,155	2,900	27,588	211,861	(837)	562,967
Reportable segment liabilities	<u>(22,029)</u>	<u>(119,369)</u>	<u>(4,733)</u>	<u>(1,791)</u>	<u>(4,380)</u>	<u>(22,879)</u>	<u>—</u>	<u>(175,181)</u>

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>	Theatre operations <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>—</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 31st March 2012								
Reportable segment assets	53,302	252,089	34,746	1,182	29,694	185,320	(1,051)	555,282
Reportable segment liabilities (restated)	<u>(28,162)</u>	<u>(102,910)</u>	<u>(3,616)</u>	<u>(864)</u>	<u>(2,869)</u>	<u>(15,074)</u>	<u>—</u>	<u>(153,495)</u>

Profit or loss

	Unaudited Six months ended 30th September	
	2012 HK\$'000	2011 HK\$'000
Reportable segment profit	693	60,971
Unallocated amounts:		
Unallocated other income	1,118	611
Unallocated other losses — net	(8,218)	(29,239)
Unallocated finance (costs)/income — net	(160)	152
Depreciation and amortisation of property, plant and equipment and leasehold land and land use rights	(2,252)	(3,101)
Unallocated share of profit of associated companies	—	2,228
Unallocated corporate expenses	(2,577)	(1,083)
	<u>(11,396)</u>	<u>30,387</u>
(Loss)/profit before income tax		
Additions to property, plant and equipment		
Attributable to reportable segments	1,734	15,617
Unallocated additions	221	3,511
	<u>1,955</u>	<u>19,128</u>
	Unaudited 30th September 2012 HK\$'000	Audited 31st March 2012 HK\$'000 (Restated)
Assets		
Reportable segment assets	562,967	555,282
Unallocated assets:		
Unallocated property, plant and equipment and leasehold land and land use rights	163,863	163,415
Unallocated available-for-sale financial assets	9,755	12,553
Unallocated financial assets at fair value through profit or loss	36,679	49,396
Unallocated cash and cash equivalents	208	616
Unallocated interests in and amounts due from associated companies	17,735	18,018
Unallocated corporate assets	11,929	9,611
	<u>803,136</u>	<u>808,891</u>
Total assets per consolidated balance sheet		
Liabilities		
Reportable segment liabilities	175,181	153,495
Unallocated liabilities:		
Unallocated bank borrowings	23,516	37,964
Unallocated corporate liabilities	363	1,844
	<u>199,060</u>	<u>193,303</u>
Total liabilities per consolidated balance sheet		

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 Unaudited Six months ended 30th September 2012 2011 HK\$'000 HK\$'000	
Hong Kong	40,434	46,961
Singapore	9,783	28,031
People's Republic of China	304,836	156,394
Other countries	10,680	8,695
	365,733	240,081
	Non-current assets (other than interests in associated companies and financial instruments) Unaudited Audited 30th 31st September March 2012 2012 HK\$'000 HK\$'000	
Hong Kong	358,374	430,860
People's Republic of China	135,838	141,822
Other countries	21,765	19,767
	515,977	592,449

Note (a)

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

5. Other income

	Unaudited	
	Six months ended	
	30th September	
	2012	2011
	HK\$'000	HK\$'000
Dividend income from available-for-sale financial assets	1,118	740
Rental income	3,233	2,319
Management fee and other income	1,583	1,612
	<u>5,934</u>	<u>4,671</u>

6. Other gains/(losses) — net

	Unaudited	
	Six months ended	
	30th September	
	2012	2011
	HK\$'000	HK\$'000
Surplus on revaluation of investment properties	23,913	19,750
Fair value losses on financial assets at fair value through profit or loss	(8,429)	(28,907)
Impairment loss on available-for-sale financial assets	—	(332)
Gain on disposal of available-for-sale financial assets	211	—
	<u>15,695</u>	<u>(9,489)</u>

7. Expenses by nature

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

	Unaudited	
	Six months ended	
	30th September	
	2012	2011
	HK\$'000	HK\$'000
Amortisation of film rights	78,716	38,426
Patent rights	3,900	4,950
Provision for impairment of film rights and films in progress	26,469	—
Amortisation of leasehold land and land use rights	394	394
Depreciation of property, plant and equipment	4,564	3,530
Cost of goods sold	1,736	5,688
Wages and salaries	16,289	15,975
Pension and social security costs	1,350	289

8. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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	
	2012	2011
	HK\$'000	HK\$'000
		(Restated)
Current income tax — Hong Kong profits tax	1,400	3,448
Deferred income tax	1,688	1,666
	3,088	5,114

9. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to equity holders of the Company of HK\$16,275,000 (2011: profit of HK\$25,837,000 as restated) and on the weighted average of 5,633,035,000 (2011: 5,633,035,000) ordinary shares in issue during the period.

Diluted (loss)/earnings per share for the six months ended 30th September 2012 and 2011 were the same as the basic (loss)/earnings per share as there were no diluting event during the period.

10. Dividends

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2012 (2010: Nil).

11. Trade and other receivables

	Unaudited 30th September 2012 HK\$'000	Audited 31st March 2012 HK\$'000
Trade receivables	143,709	41,877
Less: provision for impairment of receivables	<u>(22,596)</u>	<u>(22,596)</u>
Trade receivables-net	121,113	19,281
Prepayments	2,798	3,892
Deposits and other receivables	<u>39,329</u>	<u>34,760</u>
	163,240	57,933
Less: Other receivables-non current portion	<u>(5,560)</u>	<u>(5,694)</u>
Current portion	<u><u>157,680</u></u>	<u><u>52,239</u></u>

The ageing analysis of trade receivables is as follows:

	Unaudited 30th September 2012 HK\$'000	Audited 31st March 2012 HK\$'000
Current to 3 months	92,756	18,526
4 to 6 months	21,894	267
Over 6 months	<u>29,059</u>	<u>23,084</u>
	<u><u>143,709</u></u>	<u><u>41,877</u></u>

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

12. Trade and other payables

	Unaudited 30th September 2012 HK\$'000	Audited 31st March 2012 HK\$'000
Trade payables	4,032	2,646
Other payables and accruals	89,828	51,255
	<u>93,860</u>	<u>53,901</u>

The ageing analysis of trade payables is as follows:

	Unaudited 30th September 2012 HK\$'000	Audited 31st March 2012 HK\$'000
Current to 3 months	2,081	1,204
4 to 6 months	509	—
Over 6 months	1,442	1,442
	<u>4,032</u>	<u>2,646</u>

13. Borrowings

	Unaudited 30th September 2012 HK\$'000	Audited 31st March 2012 HK\$'000
Bank overdrafts-secured	10,515	18,506
Secured bank loans-current portion	13,949	13,952
Bank borrowings — current portion	24,464	32,458
Secured bank loans — non-current portion	5,023	5,506
Total borrowings	<u>29,487</u>	<u>37,964</u>

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

	Unaudited 30th September 2011 HK\$'000	Audited 31st March 2011 HK\$'000
Within 1 year	24,464	32,458
Between 1 to 2 years	1,050	1,017
Between 2 to 5 years	3,703	3,484
	<u>29,217</u>	<u>36,959</u>
Later than 5 years	270	1,005
	<u>29,487</u>	<u>37,964</u>

14. Obligations under finance leases

Obligations under finance leases are repayable in the following periods:

	Unaudited 30th September 2012 HK\$'000	Audited 31st March 2012 HK\$'000
Gross finance lease liabilities-minimum lease payments		
Within 1 year	—	265
Later than 1 year and no later than 5 years	—	—
	<u>—</u>	<u>265</u>
Future finance charges on finance leases	—	(13)
	<u>—</u>	<u>(13)</u>
Present value of finance lease liabilities	—	252
	<u>—</u>	<u>252</u>
The present value of finance lease liabilities were repayable as follows:		
Within 1 year	—	252
Later than 1 year and no later than 5 years	—	—
	<u>—</u>	<u>252</u>

15. Share capital

	Number of ordinary shares		Ordinary shares	
	Unaudited 30th September 2012 '000	Audited 31st March 2012 '000	Unaudited 30th September 2012 HK\$'000	Audited 31st March 2012 HK\$'000
Authorised	15,000,000	15,000,000	300,000	300,000
Issued and fully paid	5,633,035	5,633,035	112,661	112,661

16. Contingent liabilities

At 30th September 2012, the Company had contingent liabilities of guarantees given to banks in respect of banking facilities granted to subsidiaries to the extent of approximately HK\$41,000,000 (31st March 2012: HK\$41,000,000).

17. Capital commitments

As at 30th September 2012, the Group had contracted commitments but not provided for in the financial information as follows:

	Unaudited 30th September 2012 HK\$'000	Audited 31st March 2012 HK\$'000
Commitments in respect of		
— property, plant and equipment	1,327	4,010
— film rights, films in progress and film royalty deposits	8,013	15,839
	9,340	19,849

18. Operating lease commitments

(a) Operating lease commitments — Group company as lessee

The Group leases certain of its offices and premises under non-cancellable operating lease agreements. The lease terms are between 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 2012 HK\$'000	Audited 31st March 2012 HK\$'000
Within 1 year	4,696	3,770
Later than 1 year and no later than 5 years	31,092	29,130
Later than 5 years	98,154	102,847
	<u>133,942</u>	<u>135,747</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 2012 HK\$'000	Audited 31st March 2012 HK\$'000
Within 1 year	3,889	4,237
Later than 1 year and no later than 5 years	1,073	2,656
	<u>4,962</u>	<u>6,893</u>

19. Related party transactions

Save as disclosed elsewhere in the condensed consolidated interim financial information, significant related party transactions, which were carried out in the ordinary course of the Group's business, are as follows:

	Unaudited	
	Six months ended	
	30th September	
	2012	2011
	HK\$'000	HK\$'000
Post-production and origination services payable to an associated company	2,240	9,605
Playout services payable to an associated company	1,475	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	65	80

INTERIM DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September 2012, the Group recorded an unaudited consolidated turnover of HK\$365,733,000 (2011: HK\$240,081,000) and a loss attributable to equity holders of the Company of HK\$16,275,000 (2011: profit of HK\$25,837,000 as restated).

The contribution of revenues from the Group's film exhibition and film rights licensing and sub-licensing segment was increased sharply from HK\$160 million to HK\$319 million.

During the period, titles namely "The Silent War" and "Lan Kwai Fong 2" were released and received welcoming responses from the China and Hong Kong market respectively. Both of which contributed significant theatrical revenues and caused the increase in revenues of this segment. Besides self-producing and investing, the Group also makes use of its wide distribution network developed for years and develop its business of distribution agency. 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.

The contribution of revenues from the Group's television segment was dropped to the level of approximately HK\$28 million (2011: HK\$64 million).

The drop in revenues in this segment is caused by the termination of drama channels with MioTV in Singapore and channels with now TV in Hong Kong since the second half of the previous financial year. Despite this, certain new channels were introduced during the period. As at 30th September 2012, the Group provided a movie channel through the platform of MioTV in Singapore, Red Channel through the platform of HBO in certain South East Asian territories, HD movie channel through Chunghwa Telecom MOD platform in Taiwan and a movie channel through the TVB pay TV platform in Australia. In addition, the HD channel in Taiwan has also been licensed to Taiwan Broadband Communications' digital platform since October 2012.

In November 2009, the Group entered into an agreement with HBO Asia to provide contents of films and drama through the launch of "RED Channel" in different Asian territories by stages. This 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. Moreover, RED Channel was launched on Hypp TV, the IPTV platform of TM Net in Malaysia in October 2010. In Philippines, CableBoss was appointed as a nationwide distributor for RED Channel in August 2010. RED Channel was also launched on Philippines Multi-media Systems, Inc.'s direct-to-home platform in November 2010. In addition, RED Channel was telecast on SkyCable in January 2012. RED Channel is also seeking the opportunity to launch in Vietnam soon.

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

The Group's artiste management business contributed steady revenues to the Group of approximately HK\$6.3 million (2011: HK\$6.8 million) to the Group.

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 2011. 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 has started to penetrate into the China theatrical market. The Group's theatre in Tianjin has come into operation since the second half of the last financial year. During the period, this theatre contributed approximately HK\$4 million revenues (2011: Nil) to the Group. Besides this, certain theatres in other sites are being constructed or planned, including one located in Shanghai which is tentatively planned to commence operation in the first half of 2013. Although the Group's theatre operations is still under investment stage, the Group is confident of its prospects taking into account the continuous growth of China film exhibition industry.

The revenues attributable to sale and distribution of films and programs in audio and visual product format dropped from HK\$10 million to HK\$8 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 diversifying its distribution network to online downloading and streaming in order to adapt to the expected future consumer behavior. During the period, the Group acquired a business which holds certain media licenses in China. As at 30th September 2012, the Group's video website "www.116.tv" is being constructed and the official launch of which is expected soon. The Group considers the new media investment will ignite a revolution to the video distribution industry and fit the expected market demand.

Following the downturn in the global investment market conditions, the Group's financial assets at fair value through profit and loss continued to record an unrealised loss of approximately HK\$8.4 million (2011: HK\$28.9 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\$23.9 million (2011: HK\$19.7 million) during the period. As at 30th September 2012, the Group assessed the recoverable amounts of its film titles and a provision for impairment of certain titles amounting to HK\$26.5 million (2011: Nil) was made with reference to the expected recoverable amount based on the current market conditions. Such unrealised gains/losses have no effect on the Group's cash flow.

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

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

Liquidity and financial resources

At 30th September 2012, the Group has available banking facilities of approximately HK\$61.5 million, of which approximately HK\$29.5 million were utilised. Certain of the Group's deposits and properties with aggregate net book values of HK\$272 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 5% as at 30th September 2012 was based on the total of bank loans and overdrafts of HK\$29,487,000 (of which HK\$24,464,000, HK\$1,050,000, HK\$3,703,000 and HK\$270,000 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\$593,434,000. 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 16 to 18 to the condensed consolidated financial information. The commitments will be financed by the Group's internal resources and banking facilities.

Employees

At 30th September 2012, the Group employed 155 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 2012, 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 2012, 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 2012.

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 2012.

On behalf of the Board

Li Kuo Hsing

Chairman

30th November 2012

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 Dr. Lee G. Lam, Ms. Wang Huarong and Mr. Cheung Ming Man.