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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 2016

The directors present the condensed consolidated financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2016. 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 2016, and the consolidated interim balance sheet of the Group as at 30th September 2016, 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 2016

		Unaudited Six months ended 30th September	
	Note	2016 HK\$'000	2015 HK\$'000
Turnover	5	52,759	55,153
Cost of sales		(40,543)	(26,456)
Gross profit		12,216	28,697
Other income	6	7,457	6,094
Other gains — net	7	17,087	4,619
Selling and marketing expenses		(1,362)	(2,564)
Administrative expenses		(49,421)	(47,892)
Operating loss	8	(14,023)	(11,046)
Finance income		706	856
Finance costs		(116)	(514)
Finance income — net		590	342
Share of net (loss)/profit of associates		(530)	800
Loss before income tax		(13,963)	(9,904)
Income tax expense	9	(218)	(141)
Loss for the period		(14,181)	(10,045)
Loss attributable to:			
Equity holders of the Company		(11,633)	(9,587)
Non-controlling interests		(2,548)	(458)
		(14,181)	(10,045)
Loss per share	10	(0.20 HK cents)	(0.17 HK cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2016

	Unaudited	
	Six months ended	
	30th September	
	2016	2015
	HK\$'000	HK\$'000
Loss for the period	<u>(14,181)</u>	<u>(10,045)</u>
Other comprehensive income/(loss)		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Surplus on revaluation of buildings	890	2,821
Deferred taxation arising from revaluation surplus of buildings	(132)	(474)
<i>Items that may be reclassified to profit or loss</i>		
Fair value gains on available-for-sale financial assets	52	8,261
Release of reserve upon disposal of available-for-sale financial assets	—	(419)
Currency translation differences	<u>1,892</u>	<u>(3,374)</u>
Other comprehensive income for the period, net of tax	<u>2,702</u>	<u>6,815</u>
Total comprehensive loss for the period	<u><u>(11,479)</u></u>	<u><u>(3,230)</u></u>
Attributable to:		
— Equity holders of the Company	(8,931)	(2,772)
— Non-controlling interests	<u>(2,548)</u>	<u>(458)</u>
Total comprehensive loss for the period	<u><u>(11,479)</u></u>	<u><u>(3,230)</u></u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30th September 2016 and 31st March 2016

		Unaudited 30th September 2016 HK\$'000	Audited 31st March 2016 HK\$'000
	Note		
ASSETS			
Non-current assets			
Leasehold land and land use rights		26,902	27,296
Property, plant and equipment		196,561	203,006
Investment properties		209,030	211,449
Film rights, films in progress and film royalty deposits		132,360	136,647
Interests in associates		14,396	4,663
Available-for-sale financial assets		8,238	8,186
Other receivables and deposits	12	1,878	5,661
		589,365	596,908
Current assets			
Inventories		195	116
Trade and other receivables	12	23,403	28,872
Amounts due from associates		12,943	7,921
Financial assets at fair value through profit and loss		44,884	42,254
Pledged bank deposits		23,500	23,500
Cash and cash equivalents		212,295	228,592
		317,220	331,255
Total assets		906,585	928,163
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	118,475	118,475
Share premium		407,428	407,428
Reserves		224,435	233,366
		750,338	759,269
Shareholders' funds		750,338	759,269
Non-controlling interests		2,203	651
Total equity		752,541	759,920

		Unaudited 30th September 2016 <i>HK\$'000</i>	Audited 31st March 2016 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	14	8,219	8,675
Obligations under finance leases	15	—	75
Deferred income tax liabilities		<u>22,685</u>	<u>22,498</u>
		30,904	31,248
Current liabilities			
Trade and other payables	13	85,984	102,625
Receipts in advance		21,883	21,635
Borrowings	14	3,921	1,337
Obligations under finance leases		163	175
Current income tax liabilities		11,189	11,223
		<u>123,140</u>	<u>136,995</u>
Total liabilities		<u>154,044</u>	<u>168,243</u>
Total equity and liabilities		<u>906,585</u>	<u>928,163</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2016

	Attributable to shareholders										
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Share-based payment reserve	Exchange difference	Buildings revaluation reserve	Available-for-sale financial assets revaluation reserve	Accumulated losses	Non-controlling interests	Total equity
	<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>	<i>HK\$'000</i>
The Group											
At 1st April 2016	118,475	407,428	12	189,009	12,178	4,358	71,464	7,119	(50,774)	651	759,920
Comprehensive loss											
Loss for the period	—	—	—	—	—	—	—	—	(11,633)	(2,548)	(14,181)
Other comprehensive income/(loss)											
Surplus on revaluation of buildings	—	—	—	—	—	—	890	—	—	—	890
Deferred tax arising from revaluation surplus of buildings	—	—	—	—	—	—	(132)	—	—	—	(132)
Fair value gains on available-for-sale financial assets	—	—	—	—	—	—	—	52	—	—	52
Translation of foreign subsidiaries	—	—	—	—	—	1,892	—	—	—	—	1,892
Total other comprehensive income/(loss)	—	—	—	—	—	1,892	758	52	—	—	2,702
Total comprehensive income/(loss) for the period	—	—	—	—	—	1,892	758	52	(11,633)	(2,548)	(11,479)
Share options forfeited	—	—	—	—	(260)	—	—	—	260	—	—
Deemed disposal of a subsidiary	—	—	—	—	—	—	—	—	—	4,100	4,100
Total transactions with owners, recognised directly in equity	—	—	—	—	(260)	—	—	—	260	4,100	4,100
At 30th September 2016	118,475	407,428	12	189,009	11,918	6,250	72,222	7,171	(62,147)	2,203	752,541

Attributable to shareholders

	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>	Share-based payment reserve <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 2015	<u>112,661</u>	<u>126,733</u>	<u>12</u>	<u>189,009</u>	<u>8,482</u>	<u>2,102</u>	<u>70,180</u>	<u>4,702</u>	<u>15,128</u>	<u>5,932</u>	<u>534,941</u>
Comprehensive loss											
Loss for the period	—	—	—	—	—	—	—	—	(9,587)	(458)	(10,045)
Other comprehensive income/(loss)											
Surplus on revaluation of buildings	—	—	—	—	—	—	2,821	—	—	—	2,821
Deferred tax arising from revaluation surplus of buildings	—	—	—	—	—	—	(474)	—	—	—	(474)
Fair value gains on available-for-sale financial assets	—	—	—	—	—	—	—	8,261	—	—	8,261
Release on disposal	—	—	—	—	—	—	—	(419)	—	—	(419)
Translation of foreign subsidiaries	—	—	—	—	—	(3,374)	—	—	—	—	(3,374)
Total other comprehensive income/(loss)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,374)</u>	<u>2,347</u>	<u>7,842</u>	<u>—</u>	<u>—</u>	<u>6,815</u>
Total comprehensive income/(loss) for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,374)</u>	<u>2,347</u>	<u>7,842</u>	<u>(9,587)</u>	<u>(458)</u>	<u>(3,230)</u>
Issue of shares	5,803	278,185	—	—	—	—	—	—	—	—	283,988
Share options granted	—	—	—	—	3,195	—	—	—	—	—	3,195
Exercise/forfeiture of share options	—	1,549	—	—	(1,827)	—	—	—	278	—	—
Dividend paid	—	—	—	—	—	—	—	—	—	(360)	(360)
Total transactions with owners, recognised directly in equity	<u>5,803</u>	<u>279,734</u>	<u>—</u>	<u>—</u>	<u>1,368</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>278</u>	<u>(360)</u>	<u>286,823</u>
At 30th September 2015	<u>118,464</u>	<u>406,467</u>	<u>12</u>	<u>189,009</u>	<u>9,850</u>	<u>(1,272)</u>	<u>72,527</u>	<u>12,544</u>	<u>5,819</u>	<u>5,114</u>	<u>818,534</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2016

	Unaudited Six months ended 30th September	
	2016	2015
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(5,452)	40,556
Income tax paid	(197)	(388)
Net cash (used in)/generated from operating activities	(5,649)	40,168
Cash flows from investing activities		
Purchase of property, plant and equipment	(665)	(219)
Purchase of film rights, films in progress and film royalty deposits	(12,030)	(66,426)
Proceeds from disposal of financial assets at fair value through profit and loss	384	—
Interest received	706	856
Cash outflow from deemed disposal of interest in a subsidiary	(535)	—
Proceeds from disposal of available-for-sale financial assets	—	10,834
Purchase of available-for-sale financial assets	—	(1,200)
Investment in an associate	—	(407)
Purchase of financial assets at fair value through profit or loss	—	(12,927)
Net cash used in investing activities	(12,140)	(69,489)
Cash flows from financing activities		
Repayments of bank loans	(418)	(25,063)
Interest paid on loans and overdrafts	(113)	(508)
Interest element of finance leases	(3)	(6)
Repayments of capital element of finance leases	(87)	(84)
Net proceed from issue of shares	—	283,988
Dividend paid to non-controlling interest	—	(360)
Net cash (used in)/generated from financing activities	(621)	257,967
Net (decrease)/increase in cash and cash equivalents	(18,410)	228,646
Cash and cash equivalents at beginning of period	228,592	14,737
Exchange differences	(433)	243
Cash and cash equivalents at end of period	209,749	243,626
Analysis of balances of cash and cash equivalents		
Cash at bank, on hand and short-term bank deposits	212,295	244,489
Bank overdrafts	(2,546)	(863)
	209,749	243,626

SELECTED NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

Mei Ah Entertainment Group Limited (the “Company”) and its subsidiaries (together the “Group”) is principally engaged in television operations, film exhibition, film rights licensing and sub-licensing, sale and distribution of films and programs in audio visual product format, artiste management, theatre operations, concert performances, mobile games applications and video online, and property investment.

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

This condensed consolidated interim financial information was approved for issue on 29th November 2016.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September 2016 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 2016, which have been prepared in accordance with HKFRSs.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2016, as described in those annual financial statements.

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

Those new accounting standards, amendments to accounting standards and interpretations which are effective for financial year ending 31st March 2017 are either not relevant to the Group or have no material impact on the Group.

4. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st March 2016.

5. Segment information

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

	Unaudited Six months ended 30th September 2016									
	Television operations HK\$'000	Film exhibition and film rights licensing and sub-licensing HK\$'000	Theatre operations HK\$'000	Concert performance HK\$'000	Mobile games and video online applications HK\$'000	Sale and distribution of films and programs in audio visual product format HK\$'000	Artiste management HK\$'000	Property investment HK\$'000 <i>(note (a))</i>	Elimination HK\$'000	Group HK\$'000
External sales	22,798	9,456	13,132	6,598	645	88	42	—	—	52,759
Inter-segment sales	—	200	—	—	—	—	—	—	(200)	—
Segment revenue	<u>22,798</u>	<u>9,656</u>	<u>13,132</u>	<u>6,598</u>	<u>645</u>	<u>88</u>	<u>42</u>	<u>—</u>	<u>(200)</u>	<u>52,759</u>
Reportable segment profit/(loss)	(1,902)	(13,580)	(4,044)	110	4,137	(1,699)	(158)	2,945	105	(14,086)
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	(157)	(48)	(4,152)	(13)	(447)	(102)	—	—	—	(4,919)
Amortisation for film rights	(7,497)	(7,230)	—	—	—	—	—	—	94	(14,633)
Additions to property, plant and equipment	191	—	268	—	2	—	—	—	—	461
Additions to film rights, films in progress and film royalty deposits	8,202	4,028	—	—	—	—	—	—	(200)	12,030
As at 30th September 2016										
Reportable segment assets	56,093	106,539	25,140	5,235	20,909	8,238	630	216,800	(252)	439,332
Reportable segment liabilities	(26,005)	(69,765)	(14,631)	(3,203)	(115)	(1,679)	(45)	(24,041)	—	(139,484)

Unaudited
Six months ended 30th September 2015

	Television operations <i>HK\$ '000</i>	Film exhibition and film rights licensing and sub-licensing <i>HK\$ '000</i>	Theatre operations <i>HK\$ '000</i>	Concert performance <i>HK\$ '000</i>	Mobile games applications and video online <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>
Segment revenue	<u>29,359</u>	<u>6,906</u>	<u>17,818</u>	<u>—</u>	<u>—</u>	<u>151</u>	<u>919</u>	<u>—</u>	<u>—</u>	<u>55,153</u>
Reportable segment profit/(loss)	3,817	(6,934)	(3,466)	—	(4,805)	(252)	263	6,807	15	(4,555)
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	(56)	(399)	(5,470)	—	(261)	(159)	(7)	—	—	(6,352)
Amortisation for film rights	(5,915)	(2,944)	—	—	—	—	—	—	15	(8,844)
Additions to property, plant and equipment	76	5	15	—	120	3	—	—	—	219
Additions to film rights, films in progress and film royalty deposits	6,970	59,456	—	—	—	—	—	—	—	66,426
As at 31st March 2016	—	—	—	—	—	—	—	—	—	—
Reportable segment assets	46,374	125,779	31,061	10,585	4,667	26,320	1,311	215,864	(147)	461,814
Reportable segment liabilities	<u>(28,964)</u>	<u>(76,145)</u>	<u>(15,997)</u>	<u>(6,079)</u>	<u>(1,665)</u>	<u>(3,217)</u>	<u>(79)</u>	<u>(23,960)</u>	<u>—</u>	<u>(156,106)</u>

Profit or loss

	Unaudited Six months ended 30th September	
	2016 HK\$'000	2015 HK\$'000
Reportable segment loss	(14,086)	(4,555)
Unallocated amounts:		
Unallocated other income	1,646	930
Unallocated other gains	3,014	1,653
Unallocated finance income — net	—	405
Depreciation and amortisation of property, plant and equipment and leasehold land and land use rights	(3,078)	(3,196)
Share-based payment expense	—	(3,195)
Unallocated corporate expenses	(1,459)	(1,946)
	<u>(13,963)</u>	<u>(9,904)</u>
Loss before income tax	<u>(13,963)</u>	<u>(9,904)</u>
Additions to property, plant and equipment		
Attributable to reportable segments	461	219
Unallocated additions	204	—
	<u>665</u>	<u>219</u>
	Unaudited	Audited
	30th	31st
	September	March
	2016	2016
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	439,332	461,814
Unallocated assets:		
Unallocated property, plant and equipment and leasehold land and land use rights	195,989	201,462
Unallocated available-for-sale financial assets	8,238	8,186
Unallocated financial assets at fair value through profit or loss	44,884	42,254
Unallocated cash and cash equivalents	208,908	195,264
Unallocated interests in and amounts due from associates	8,108	12,584
Unallocated corporate assets	1,126	6,599
	<u>906,585</u>	<u>928,163</u>
Total assets per consolidated balance sheet	<u>906,585</u>	<u>928,163</u>
Liabilities		
Reportable segment liabilities	139,484	156,106
Unallocated liabilities:		
Unallocated bank borrowings	12,140	10,012
Unallocated corporate liabilities	2,420	2,125
	<u>154,044</u>	<u>168,243</u>
Total liabilities per consolidated balance sheet	<u>154,044</u>	<u>168,243</u>

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 2016 2015 HK\$'000 HK\$'000	
Hong Kong	19,222	17,752
People's Republic of China	16,431	17,818
Taiwan	5,517	7,782
Other countries	11,589	11,801
	52,759	55,153
	52,759	55,153
	Non-current assets (other than interests in associated companies and financial instruments) Unaudited Audited 30th 31st September March 2016 2016 HK\$'000 HK\$'000	
Hong Kong	365,365	342,757
People's Republic of China	145,673	183,157
Taiwan	24,984	24,512
Other countries	28,831	27,972
	564,853	578,398
	564,853	578,398

Note (a)

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

6. Other income

	Unaudited Six months ended 30th September	
	2016	2015
	HK\$'000	HK\$'000
Dividend income from available-for-sale financial assets	1,616	930
Rental income	4,619	4,278
Management fee and other income	1,222	886
	<u>7,457</u>	<u>6,094</u>

7. Other gains — net

	Unaudited Six months ended 30th September	
	2016	2015
	HK\$'000	HK\$'000
Profit on deemed disposal of interest in a subsidiary	15,351	—
(Deficit)/surplus on revaluation of investment properties	(1,278)	2,966
Fair value gains/(loss) on financial assets at fair value through profit or loss	2,947	(8,762)
Gain on disposal of financial assets at fair value through profit and loss	67	—
Gain on disposal of available-for-sale financial assets	—	10,415
	<u>17,087</u>	<u>4,619</u>

8. 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	
	2016	2015
	HK\$'000	HK\$'000
Amortisation of film rights	14,633	8,844
Amortisation of leasehold land and land use rights	394	394
Cost of goods sold	595	724
Depreciation of property, plant and equipment	7,604	9,154
Employee benefit expenses	23,826	22,103
Share-based payment expense (Note 17)	—	3,195

9. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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	
	2016	2015
	HK\$'000	HK\$'000
Current income tax — Hong Kong profits tax	163	247
Deferred income tax	55	(106)
	218	141

10. Loss per share

(a) Basic

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of HK\$11,633,000 (2015: HK\$9,587,000) and on the weighted average of 5,923,738,000 (2015: 5,772,758,000) ordinary shares in issue during the period.

(b) Diluted

The potential additional ordinary shares are anti-dilutive and accordingly diluted loss per share is the same as the basic loss per share.

11. Dividends

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2016 (2015: Nil).

12. Trade and other receivables

	Unaudited 30th September 2016 <i>HK\$'000</i>	Audited 31st March 2016 <i>HK\$'000</i>
Trade receivables	34,692	37,984
Less: provision for impairment of receivables	<u>(21,919)</u>	<u>(22,423)</u>
Trade receivables — net	12,773	15,561
Prepayments, other receivables and deposits	<u>12,508</u>	<u>18,972</u>
	25,281	34,533
Less: Other receivables and deposits — non current portion	<u>(1,878)</u>	<u>(5,661)</u>
Current portion	<u><u>23,403</u></u>	<u><u>28,872</u></u>

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

	Unaudited 30th September 2016 <i>HK\$'000</i>	Audited 31st March 2016 <i>HK\$'000</i>
Current to 3 months	11,713	11,781
4 to 6 months	1,004	1,450
Over 6 months	<u>21,975</u>	<u>24,753</u>
	<u><u>34,692</u></u>	<u><u>37,984</u></u>

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

13. Trade and other payables

	Unaudited 30th September 2016 HK\$'000	Audited 31st March 2016 HK\$'000
Trade payables	2,803	7,312
Other payables and accruals	83,181	95,313
	<u>85,984</u>	<u>102,625</u>

The ageing analysis of trade payables is as follows:

	Unaudited 30th September 2016 HK\$'000	Audited 31st March 2016 HK\$'000
Current to 3 months	2,378	5,238
4 to 6 months	94	245
Over 6 months	331	1,829
	<u>2,803</u>	<u>7,312</u>

14. Borrowings

	Unaudited 30th September 2016 HK\$'000	Audited 31st March 2016 HK\$'000
Bank overdrafts — secured	2,546	—
Secured bank loans — current portion	1,375	1,337
Bank borrowings — current portion	3,921	1,337
Secured bank loans — non-current portion	8,219	8,675
Total borrowings	<u>12,140</u>	<u>10,012</u>

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

	Unaudited 30th September 2016 HK\$'000	Audited 31st March 2016 HK\$'000
Within 1 year	3,921	1,337
Between 1 to 2 years	1,403	1,353
Between 2 to 5 years	4,392	4,232
Later than 5 years	2,424	3,090
	<u>12,140</u>	<u>10,012</u>

15. Obligations under finance leases

Obligations under finance lease are repayable in the following periods:

	Unaudited 30th September 2016 HK\$'000	Audited 31st March 2016 HK\$'000
Gross finance lease liabilities — minimum lease payments		
Within 1 year	165	181
Later than 1 year and no later than 5 years	<u>—</u>	<u>75</u>
	165	256
Future finance charges on finance leases	<u>(2)</u>	<u>(6)</u>
	<u>163</u>	<u>250</u>

The present value of finance lease liabilities are repayable as follows:

Within 1 year	163	175
Later than 1 year and no later than 5 years	<u>—</u>	<u>75</u>
	<u>163</u>	<u>250</u>

16. Share capital

	Number of ordinary shares		Ordinary shares	
	Unaudited 30th September 2016 '000	Audited 31st March 2016 '000	Unaudited 30th September 2016 HK\$'000	Audited 31st March 2016 HK\$'000
Authorised	15,000,000	15,000,000	300,000	300,000
Issued and fully paid	5,923,199	5,923,199	118,464	118,464

17. Share-based payments

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

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

	Unaudited Six months ended 30th September	
	2016 <i>No. of share options</i>	2015 <i>No. of share options</i>
At beginning of the period	57,672,000	71,220,000
Forfeited	(1,340,000)	(1,822,000)
Exercised	—	(10,164,000)
At end of the period	56,332,000	59,234,000

Share options outstanding at the end of the period will be expired on 28th September 2017.

The fair value of options granted during the year determined using the Binomial Option Pricing Model was HK\$0.21 per option. The significant inputs into the model were share price of HK\$0.61 at the grant date, exercise price of HK\$0.70, volatility of 61.64%, dividend yield of 0.00%, an expected option life of three years, and a risk-free interest rate of 0.94%.

During the period ended 30 September 2015, expenses for share options amounting to HK\$3,195,000 was recognised in the consolidated income statement.

18. Contingent liabilities

At 30th September 2016, the Company had contingent liabilities of guarantees given to banks in respect of banking facilities granted to subsidiaries to the extent of HK\$45 million (31st March 2016: HK\$45 million), of which none (31st March 2016: none) was utilised.

19. Capital commitments

As at 30th September 2016, the Group had contracted commitments but not provided for in the financial information as follows:

	Unaudited 30th September 2016 HK\$'000	Audited 31st March 2016 HK\$'000
Film rights, films in progress and film royalty deposits	60,840	63,572
Investments	57,504	59,237
Licenses	—	5,152
	<u>118,344</u>	<u>127,961</u>

20. Operating lease commitments

(a) Operating lease commitments — Group company as lessee

The Group leases certain offices and premises under theatre operations under non-cancellable operating lease agreements. The lease terms are between 15 to 20 years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited 30th September 2016 HK\$'000	Audited 31st March 2016 HK\$'000
Within 1 year	5,876	6,352
Later than 1 year and no later than 5 years	25,259	25,513
Later than 5 years	62,060	71,163
	<u>93,195</u>	<u>103,028</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 3 years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited 30th September 2016 HK\$'000	Audited 31st March 2016 HK\$'000
Within 1 year	3,125	4,448
Later than 1 year and no later than 5 years	857	952
	<u>3,982</u>	<u>5,400</u>

21. 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 2016 HK\$'000	2015 HK\$'000
Post-production and origination services payable to an associated company	6,134	3,875
Playout services payable to an associated company	2,250	1,963
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	368	65

INTERIM DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2016 (2015: Nil).

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September 2016, the Group recorded an unaudited consolidated turnover of HK\$52,759,000 (2015: HK\$55,153,000) and a loss attributable to equity holders of the Company of HK\$11,633,000 (2015: HK\$9,587,000). The drop in gross profit from HK\$28,697,000 to HK\$12,216,000 was mainly attributable to drop in revenues attributable to television operations, increased amortization of film rights and increased origination costs in relation to the upgrade of the Group's film library into 4K standard.

The contribution of revenues from the Group's television segment for the period dropped from approximately HK\$29 million to HK\$23 million due to certain channels had been terminated since late 2015. As at 30th September 2016, the Group provided channels through various operators, including Red Channel through the platform of HBO in certain Asian territories, HD movie channel through Chunghwa Telecom MOD platform, a movie channel through the TVB pay vision in Hong Kong and a movie channel through TVB pay TV platform in Australia.

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

The other channels have also provided steadily increasing contributions to the Group. Looking forward, the Group will continue to explore opportunities to develop channels with other operators and other media platforms.

The contribution of revenues from the Group's film exhibition and film rights licensing and sub-licensing segment increased from approximately HK\$7 million to HK\$9 million, the increase is mainly attributable to revenues from the title "Port of Call" which received a number of awards in various local and overseas film festivals.

Besides self producing and investing, the Group also makes use of its wide distribution network developed for years for its business of film distribution agency. Equipped by the Group's film library and through the Group's experience and network in program sourcing, the Group is confident that it will continue to provide high quality and customized programs to its audiences.

Following the development of its economic environment, China's film exhibition industry has grown rapidly in the recent years. The China theatrical box office income has grown continuously during the recent years. Taking into account of the increasing demand in China, the Group continues to strengthen its film library through acquisition, own production and co-production. A number of new titles are in the progress of production and they are expected to be released in the forthcoming year.

In addition, the Group has started to penetrate into the China theatrical market and established its first theatre in Tianjin since 2011. The Group's another theatre in Jiading, Shanghai has also commenced operations since 2013. The Group's theatres are all digital and equipped with 3-D movie broadcasting functions. The theatre in Tianjin has 7 screens consisting approximately 1,200 seats and the one located in Jiading, Shanghai has 10 screens with approximately 1,600 seats. The theatres contributed revenues of approximately HK\$13 million (2015: HK\$18 million) in aggregate during the period. The drop is mainly due to the recent nearby competition. 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.

During the period, the Group's operating segment of concert performance held one program and contributed revenues of approximately HK\$7 million (2015: Nil). The Group is of the view that this segment will bring increasing input to the Group.

In respect of the segment mobile games applications and video online, the Group has launched its video website "www.116.tv" and its video apps "116", which include contents of films, drama and entertainment news, and also invested in game development companies. Taking into account that the operation is still in investment stage, the segment attributed revenues of approximately HK\$0.6 million (2015: Nil), which was attributable to the two mobile games launched. As announced in the Company's announcement dated 4th August 2016, during the period, MAMO Games Limited ("MAMO"), one of the Group's game development companies, allotted certain shares to a new investor at a consideration of HK\$30 million, the transaction constituted a deemed disposal of interest in MAMO and a profit on deemed disposal of approximately HK\$15 million was recognized by the Group during the period and MAMO has become an associated company of the Group upon the deemed disposal. Looking forward, the Group considers the new media investment will ignite a revolution to the industry and fit the expected market demand.

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

The Group's channel management operations are conducted through its associated company, namely Hongkongmovie.com Company Limited and its subsidiaries ("HKM"). Other than providing services to the Group, HKM also provides playout, post-production, HD-film restoration and channel management services to a number of other media operators. HKM has started to provide its services under the developed M-OTT platform which enables audiences to watch content through TV, PC, smart phone, tablet and smart TV and set-top box. HKM is also co-operating with other institutions to develop more advanced technology in multimedia area, e.g. content distribution network, which is expected to contribute future favorable returns to HKM and the Group.

During the year, following the changes in the investment market conditions, the Group's financial assets at fair value through profit and loss turned to record an fair value gain of approximately HK\$3 million (2015: loss of approximately HK\$9 million). The investment properties portfolio of the Group contributed a deficit on revaluation of approximately HK\$1.3 million (2015: surplus of HK\$3 million). Such unrealised gains/losses have no effect on the Group's cash flow.

On 13th April 2011, the Company received a writ of summons and statement of claim, which was amended on 12th October 2012, with no specified amount of the amount of damages being claimed by a third party in respect of alleged fraudulent breaches relating to the management of an associated company which is under liquidation. The directors of the Company, after taking advice from the legal advisors which have considered the information so far available, consider such claim is not strong, and the Company has a good chance to defend its position. In this regard, the directors of the Company do not anticipate any material liabilities would arise from this litigation and there would be no material impact to the financial position nor consolidated financial statements of the Company and of the Group for the period ended 30th September 2016.

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 2016, the Group has available banking facilities of approximately HK\$73 million, of which approximately HK\$12 million were utilised. Certain of the Group's deposits, financial assets and properties with aggregate net book values of HK\$115 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 1.6% as at 30th September 2016 was based on the total of bank loans and overdrafts and obligations under finance leases of HK\$12,303,000 (of which HK\$4,084,000, HK\$1,403,000, HK\$4,392,000 and HK\$2,424,000 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\$750,338,000. The Group's borrowings and bank balances are primarily denominated in Hong Kong dollar. The Group will monitor its foreign currency exposure closely. During the period ended 30th September 2016, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency.

At 30th September 2016, the Company had contingent liabilities in respect of guarantees given to banks for facilities of its subsidiaries amounting to approximately HK\$45 million and commitments in respect of film production, film and program licensing agreements and other investments amounting to approximately HK\$118 million in aggregate. The commitments will be financed by the Group's internal resources and banking and other available facilities.

Employees

At 30th September 2016, the Group employed 194 staff. Remuneration is reviewed periodically based on market trend and individual staff's performance. In addition to the basic salaries, staff benefits include discretionary bonus, medical insurance scheme and contributory provident fund. The Group also has a share option scheme whereby qualified participants may be granted options to acquire shares of the Company. Employee benefit expenses of HK\$23.8 million were charged to the profit and loss during the period.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th September 2016, 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 2016, 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 2016.

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 2016.

On behalf of the Board

Li Kuo Hsing

Chairman

29th November 2016

As at the date of this announcement, the executive directors of the Company are Mr. Li Kuo Hsing, Mr. Tong Hing Chi, Mr. Li Tang Yuk and Dr. Dong Ming, the non-executive directors are Mr. Hugo Shong and Mr. Alan Cole-Ford and the independent non-executive directors are Dr. Lam Lee G., Mr. Guo Yan Jun and Mr. Leung Tak Sing, Dominic.