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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 2022

The directors present the condensed consolidated financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2022. The consolidated income statement and consolidated statement of comprehensive income of the Group for the six months ended 30th September 2022, and the consolidated balance sheet of the Group as at 30th September 2022, 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 2022

	Note	Unaudited Six months ended 30th September	
		2022 HK\$'000	2021 HK\$'000
Revenue	4	29,510	39,103
Cost of sales		(8,113)	(15,645)
Gross profit		21,397	23,458
Other income		5,015	6,297
Other (losses)/gains – net	5	(14,538)	7,405
Selling, distribution and marketing expenses		(2,874)	(1,424)
Administrative expenses		(35,109)	(40,315)
Operating loss	6	(26,109)	(4,579)
Finance income		58	65
Finance costs		(4,354)	(5,618)
Finance costs – net	7	(4,296)	(5,553)
Share of net (losses)/profits of associates		(614)	3,752
Loss before income tax		(31,019)	(6,380)
Income tax credit/(charge)	8	1,018	(493)
Loss for the period		(30,001)	(6,873)
Loss attributable to:			
Owners of the Company		(29,383)	(6,873)
Non-controlling interests		(618)	–
		(30,001)	(6,873)
Loss per share attributable to owners of the Company			
Basic and diluted loss per share	9	(0.50 HK cents)	(0.12 HK cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2022

	Unaudited	
	Six months ended	
	30th September	
	2022	2021
	HK\$'000	HK\$'000
Loss for the period	(30,001)	(6,873)
Other comprehensive income/(loss), net of tax		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Surplus on revaluation of buildings	14,412	10,392
Deferred taxation arising from revaluation surplus of buildings	(2,502)	(1,663)
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	6,482	163
Other comprehensive income for the period, net of tax	18,392	8,892
Total comprehensive (loss)/income for the period	(11,609)	2,019
Total comprehensive (loss)/income attributable to:		
– Owners of the Company	(10,991)	2,019
– Non-controlling interests	(618)	–
Total comprehensive (loss)/income for the period	(11,609)	2,019

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2022 and 31st March 2022

		Unaudited	Audited
		30th	31st
		September	March
		2022	2022
	<i>Note</i>	HK\$'000	HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		209,801	206,445
Investment properties		212,943	226,943
Right-of-use assets		66,258	74,859
Film rights, films in progress and film royalty deposits		150,402	153,377
Interests in associates		9,899	10,513
Other receivables and deposits	<i>11</i>	1,972	4,029
		651,275	676,166
Current assets			
Inventories		280	331
Prepayments, deposits, trade and other receivables	<i>11</i>	29,116	36,373
Financial assets at fair value through profit or loss		3,441	5,893
Pledged bank deposits		13,500	23,500
Short-term bank deposits		3,013	3,309
Cash and cash equivalents		16,503	11,624
		65,853	81,030
Total assets		717,128	757,196

		Unaudited 30th September 2022 HK\$'000	Audited 31st March 2022 HK\$'000
Equity			
Equity attributable to owners of the Company			
Share capital	14	118,475	118,475
Share premium		407,428	407,428
Reserves		<u>(177,525)</u>	<u>(166,534)</u>
Shareholders' funds		348,378	359,369
Non-controlling interests		<u>8,891</u>	<u>9,509</u>
Total equity		<u>357,269</u>	<u>368,878</u>
Liabilities			
Non-current liabilities			
Bank and other borrowings	13	99,372	96,068
Lease liabilities		90,267	102,674
Deferred income tax liabilities		<u>27,709</u>	<u>26,431</u>
		<u>217,348</u>	<u>225,173</u>
Current liabilities			
Trade and other payables	12	70,195	73,277
Contract liabilities		20,788	13,374
Amounts due to associates		11,061	13,710
Bank overdrafts	13	10,989	23,056
Bank loans	13	15,013	24,216
Lease liabilities		10,263	11,438
Current income tax liabilities		<u>4,202</u>	<u>4,074</u>
		<u>142,511</u>	<u>163,145</u>
Total liabilities		<u>359,859</u>	<u>388,318</u>
Total equity and liabilities		<u>717,128</u>	<u>757,196</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”) are principally engaged in channel operations, film exhibition and film rights licensing and sub-licensing, cinema operations, concert performances and events organisation, 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 30th November 2022.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September 2022 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 2022, which have been prepared in accordance with HKFRSs.

During the period ended 30th September 2022, the Group incurred a net loss of HK\$30,001,000 and as at 30th September 2022, the Group had net current liabilities of approximately HK\$76,658,000.

The directors of the Company have given careful consideration to the future liquidity requirements and operating performance of the Group and its available sources of financing to assess whether the Group would have sufficient financial resources to fulfil its financial obligations to continue as a going concern. The directors are of the opinion that, having taken into account the anticipated cash inflows generated from the Group’s operations, as well as the possible changes in its operating performance, and the availability of existing and new bank and other facilities, including the financial support from the controlling shareholder of the Company, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30th September 2022. Accordingly, the directors consider that the Group will be able to continue as a going concern; and thus have prepared the consolidated financial statements on a going concern basis.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2022, as described in those annual financial statements, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31st March 2023. Details of the changes in accounting policies are set out below:–

(i) Amended standards and accounting guideline adopted by the Group

The Group has applied the following amended standards and accounting guideline for the first time for the current reporting period beginning 1st April 2022:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 (Amendments)	Annual Improvements to HKFRS Standards 2018 to 2020
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations

The adoption of these amended standards and accounting guideline did not have any significant impact on the amounts recognised in prior or current periods.

(ii) Impact of new and amended standards and interpretation issued but not yet applied by the Group

The following new and amended standards and interpretation that are not effective for periods commencing on or after 1st April 2022 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKFRS 17	Insurance Contracts	1st January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1st January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1st January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1st January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1st January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1st January 2023
HK Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1st January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in process of making an assessment of the impact of these new and amended standards and interpretation upon initial application, and has concluded on a preliminary basis that these are not expected to have a significant impact on the Group's results of operations or financial position.

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 2022							
	Channel operations <i>HK\$'000</i>	Film exhibition and film rights licensing and sub-licensing <i>HK\$'000</i>	Cinema operations <i>HK\$'000</i>	Applications and video online <i>HK\$'000</i>	Concert performance and events organisation <i>HK\$'000</i>	Property investment <i>HK\$'000</i> <i>(note (a))</i>	Others <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment revenue	<u>15,186</u>	<u>7,291</u>	<u>7,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>29,510</u>
Reportable segment profit/(loss)	3,764	(2,976)	(11,630)	(287)	(523)	(9,892)	(299)	(21,843)
Depreciation of property, plant and equipment	(113)	(65)	(5,811)	(10)	-	-	(99)	(6,098)
Depreciation of right-of-use assets	-	-	(2,965)	-	-	-	-	(2,965)
Fair value deficit on revaluation of investment properties	-	-	-	-	-	(12,086)	-	(12,086)
Amortisation for film rights	(1,519)	(85)	-	-	-	-	-	(1,604)
Finance costs	-	-	(3,839)	-	-	-	-	(3,839)
Additions to property, plant and equipment	5	-	255	2,336	-	-	-	2,596
Additions to film rights, films in progress and deposits for film and program rights	736	289	-	-	-	-	-	1,025
As at 30th September 2022								
Reportable segment assets	9,957	169,412	54,078	140	10,447	218,676	16,816	479,526
Reportable segment liabilities	<u>(8,553)</u>	<u>(53,234)</u>	<u>(158,184)</u>	<u>(10)</u>	<u>(8,656)</u>	<u>(3,151)</u>	<u>(12,124)</u>	<u>(243,912)</u>

Unaudited
Six months ended 30th September 2021

	Channel operations <i>HK\$'000</i>	Film exhibition and film rights licensing and sub-licensing <i>HK\$'000</i>	Cinema operations <i>HK\$'000</i>	Applications and video online <i>HK\$'000</i>	Concert performance and events organisation <i>HK\$'000</i>	Property investment <i>HK\$'000</i> <i>(note (a))</i>	Others <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment revenue	<u>18,390</u>	<u>9,039</u>	<u>11,307</u>	<u>367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,103</u>
Reportable segment profit/(loss)	1,749	(2,207)	(8,712)	(3,668)	-	11,144	-	(1,694)
Depreciation of property, plant and equipment	(17)	(186)	(6,102)	(3)	-	-	-	(6,308)
Depreciation of right-of-use assets	-	-	(3,014)	-	-	-	-	(3,014)
Fair value surplus on revaluation of investment properties	-	-	-	-	-	8,353	-	8,353
Amortisation for film rights	(4,988)	(198)	-	-	-	-	-	(5,186)
Finance costs	-	-	(4,206)	-	-	-	-	(4,206)
Additions to property, plant and equipment	10	-	24	10,047	-	-	-	10,081
Additions to film rights, films in progress and deposits for film and program rights	1,664	354	-	-	-	-	-	2,018
As at 31st March 2022							-	
Reportable segment assets	16,375	166,755	69,056	11,566	150	234,522	26,875	525,299
Reportable segment liabilities	<u>(10,853)</u>	<u>(40,770)</u>	<u>(146,241)</u>	<u>(8,636)</u>	<u>-</u>	<u>(3,814)</u>	<u>(20,669)</u>	<u>(230,983)</u>

Profit or loss

	Unaudited	
	Six months ended	
	30th September	
	2022	2021
	HK\$'000	HK\$'000
Reportable segment loss	(21,843)	(1,694)
Unallocated amounts:		
Unallocated other income	9	–
Unallocated other losses	(2,452)	(948)
Unallocated finance costs – net	(457)	(1,347)
Unallocated depreciation of property, plant and equipment	(3,898)	(3,392)
Unallocated depreciation of right-of-use assets	(394)	(394)
Unallocated share of (losses)/profits of associates	(614)	3,752
Unallocated corporate expenses	(1,370)	(2,357)
	<u>(31,019)</u>	<u>(6,380)</u>
Loss before income tax	<u>(31,019)</u>	<u>(6,380)</u>
	Unaudited	Audited
	30th	31st
	September	March
	2022	2022
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	479,526	525,299
Unallocated assets:		
Unallocated property, plant and equipment and right-of-use assets	223,626	213,231
Unallocated financial assets at fair value through profit or loss	3,441	5,893
Unallocated cash and cash equivalents	88	68
Unallocated interests in associates and joint ventures	9,899	10,513
Unallocated corporate assets	548	2,192
	<u>717,128</u>	<u>757,196</u>
Total assets	<u>717,128</u>	<u>757,196</u>
Liabilities		
Reportable segment liabilities	243,912	230,983
Unallocated liabilities:		
Unallocated bank and other borrowings	70,895	97,184
Unallocated amounts due to associates	11,061	13,710
Unallocated current income tax liabilities	4,202	4,074
Unallocated deferred tax liabilities	27,709	26,431
Unallocated corporate liabilities	2,080	15,936
	<u>359,859</u>	<u>388,318</u>
Total liabilities	<u>359,859</u>	<u>388,318</u>

Secondary reporting format – geographical segment

The Group's is domiciled in Hong Kong. The results of its revenue from external customers and noncurrent assets other than financial assets located in Hong Kong and other countries are summarized below:

	Revenues from external customers	
	Unaudited	
	Six months ended	
	30th September	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong	16,013	10,263
People's Republic of China	8,570	20,450
Taiwan	3,516	4,176
Other countries	1,411	4,214
	<u>29,510</u>	<u>39,103</u>
	Non-current assets (other than financial assets)	
	Unaudited	Audited
	30th	31st
	September	March
	2022	2022
	HK\$'000	HK\$'000
Hong Kong	485,923	473,445
People's Republic of China	140,885	171,974
Taiwan	22,495	25,400
Other countries	–	1,318
	<u>649,303</u>	<u>672,137</u>

Note (a)

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

5. Other (losses)/gains – net

	Unaudited	
	Six months ended	
	30th September	
	2022	2021
	HK\$'000	HK\$'000
(Deficit)/surplus on revaluation of investment properties	(12,086)	8,353
Fair value losses on financial assets at fair value through profit or loss	<u>(2,452)</u>	<u>(948)</u>
	<u>(14,538)</u>	<u>7,405</u>

6. 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	
	2022	2021
	HK\$'000	HK\$'000
Amortisation of film rights	1,604	5,186
Depreciation of property, plant and equipment	9,996	9,700
Depreciation of right-of-use assets	3,359	3,408
Employee benefit expenses	<u>16,189</u>	<u>20,043</u>

7. Finance costs – net

	Unaudited	
	Six months ended	
	30th September	
	2022	2021
	HK\$'000	HK\$'000
Finance income		
– Interest income on short-term bank deposits	<u>58</u>	<u>65</u>
Finance costs		
– Interest on bank and other borrowings	(1,813)	(2,728)
– Interest on lease liabilities	<u>(2,541)</u>	<u>(2,890)</u>
	<u>(4,354)</u>	<u>(5,618)</u>
Finance costs – net	<u>(4,296)</u>	<u>(5,553)</u>

8. Income tax credit/(charge)

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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	
	2022	2021
	HK\$'000	HK\$'000
Current income tax	(156)	(442)
Deferred income tax	<u>1,174</u>	<u>(51)</u>
Income tax credit/(charge)	<u>1,018</u>	<u>(493)</u>

9. Loss per share

(a) Basic

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of HK\$29,383,000 (2021: HK\$6,873,000) and on the weighted average of 5,923,739,000 (2021: 5,923,739,000) ordinary shares in issue during the period.

(b) Diluted

For the six months ended 30th September 2022 and 2021, the diluted loss per share was the same as the basic loss per share as there were no outstanding potential ordinary shares during the period.

10. Dividends

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2022 (2021: Nil).

11. Prepayments, deposits, trade and other receivables

	Unaudited 30th September 2022 HK\$'000	Audited 31st March 2022 HK\$'000
Trade receivables	31,498	40,331
Less: provision for impairment of receivables	<u>(19,868)</u>	<u>(19,868)</u>
Trade receivables – net	11,630	20,463
Prepayments	10,737	11,986
Other receivables and deposits	<u>68,487</u>	<u>73,007</u>
	90,854	105,456
Less: impairment losses on other receivables	<u>(59,766)</u>	<u>(65,054)</u>
	31,088	40,402
Less: deposits – non current portion	(1,972)	(2,198)
Less: prepayments – non current portion	<u>–</u>	<u>(1,831)</u>
Current portion	<u>29,116</u>	<u>36,373</u>

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

	Unaudited 30th September 2022 HK\$'000	Audited 31st March 2022 HK\$'000
Current to 3 months	6,935	12,305
4 to 6 months	–	–
Over 6 months	<u>24,563</u>	<u>28,026</u>
	<u>31,498</u>	<u>40,331</u>

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

12. Trade and other payables

	Unaudited 30th September 2022 HK\$'000	Audited 31st March 2022 HK\$'000
Trade payables	7,505	8,157
Other payables and accruals	<u>62,690</u>	<u>65,120</u>
	<u>70,195</u>	<u>73,277</u>

The ageing analysis of trade payables is as follows:

	Unaudited 30th September 2022 HK\$'000	Audited 31st March 2022 HK\$'000
Current to 3 months	3,018	943
4 to 6 months	–	–
Over 6 months	<u>4,487</u>	<u>7,214</u>
	<u>7,505</u>	<u>8,157</u>

13. Bank and other borrowings

	Unaudited 30th September 2022 HK\$'000	Audited 31st March 2022 HK\$'000
Bank overdrafts – secured	10,989	23,056
Secured bank loans – current portion	15,013	24,216
Bank borrowings – current portion	26,002	47,272
Secured bank loans – non-current portion	7,358	–
Total bank borrowings	33,360	47,272
Other borrowing – non-current portion	92,014	96,068
Total borrowings	125,374	143,340

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

	Unaudited 30th September 2022 HK\$'000	Audited 31st March 2022 HK\$'000
Within 1 year	26,002	47,272
Between 1 to 2 years	2,178	–
Between 2 to 5 years	5,180	–
	33,360	47,272

(b) Other borrowings

As at 30th September 2022, the Group has a borrowing with outstanding principal of RMB30,000,000 (approximately HK\$33,111,000) (31st March 2022: RMB30,000,000 (approximately HK\$36,900,000)) and interest of RMB8,650,000 (approximately HK\$9,547,000) (31st March 2022: RMB7,525,000 (approximately HK\$9,256,000)). The borrowing is interest-bearing at a fixed rate of 7.5% per annum and unsecured. The principal and interest are not repayable within 5 years from drawdown date of October to December 2018. The lender is a company partially owned by a brother of the Group's controlling shareholder.

At 30th September 2022, the Group also had another borrowing with a principal amount of HK\$25,000,000 (31st March 2022: HK\$25,000,000) provided by an associate of the Group. The borrowing is unsecured, interest-free and is not repayable before 31st December 2023.

At 30th September 2022, the Group had a borrowing with a principal amount of HK\$24,356,000 (31st March 2022: HK\$24,912,000) provided by the controlling shareholder of the Company. The borrowing is unsecured, interest-free and is not repayable before 1st October 2023.

14. Share capital

	Number of ordinary shares		Ordinary shares	
	Unaudited 30th September 2022 '000	Audited 31st March 2022 '000	Unaudited 30th September 2022 HK\$'000	Audited 31st March 2022 HK\$'000
Authorised	<u>15,000,000</u>	<u>15,000,000</u>	<u>300,000</u>	<u>300,000</u>
Issued and fully paid	<u>5,923,739</u>	<u>5,923,739</u>	<u>118,475</u>	<u>118,475</u>

15. Capital commitments

As at 30th September 2022, the Group had contracted commitments but not provided for in the financial information as follows:

	Unaudited	Audited
	30th September 2022 HK\$'000	31st March 2022 HK\$'000
Film rights, films in progress and deposits for film and program rights	1,722	1,919
Licenses	<u>1,480</u>	<u>1,399</u>
	<u>3,202</u>	<u>3,318</u>

16. 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 2022 HK\$'000	2021 HK\$'000
Playout, post-production, origination and project development services payable to an associated company	1,612	5,070
Rental income receivable from associated companies	655	655
Management fee income receivable from an associated company	138	138
Other administrative costs payable to an associated company	<u>155</u>	<u>284</u>

INTERIM DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2022 (2021: Nil).

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September 2022, the Company and its subsidiaries (together the “Group”) recorded a consolidated revenue of HK\$29,510,000 (2021: HK\$39,103,000), gross profit of HK\$21,397,000 (2021: HK\$23,458,000) and loss attributable to owners of the Company of HK\$29,383,000 (2021: HK\$6,873,000). The adjusted loss excluding losses on revaluation of investment properties and financial assets at fair value through profit and loss of HK\$14,538,000 in aggregate (2021: net gain of HK\$7,405,000) was stabled at HK\$14,845,000 (2021: HK\$14,278,000).

The contribution of revenues from the Group’s channel operations segment for the period dropped from approximately HK\$18 million to approximately HK\$15 million, which was mainly attributable to the completion of the exclusive content supply contract with HBO Asia since June 2021, and is still the major revenue generating segment of the Group.

In Hong Kong, the Group is supplying a Chinese movie channel with hundreds of movies to TVB’s new media platform, namely myTV SUPER, as well as its OTT APP in PRC. In Taiwan, we provided a Chinese movie/drama channel to viewers through the telecom/OTT platform of Chung Hwa Telecom Company Limited. In November 2021, we started to provide movie contents to viewers via Youtube, which is one of the largest new media platforms in the world. The results were satisfactory and we are offering more local movies with Cantonese language to our Youtube viewers.

Quality media content is the key for both traditional and new media companies to compete with their rivals for viewership and revenue. The media industry is in the stage of transforming from traditional media to new media industry. A large number of viewers are moving out from traditional TV services to join the fast growing OTT services. The Group has well positioned ourselves as an important content provider of Chinese movies and drama contents to companies in both the traditional and new media industries.

The media industry was facing tremendous challenge due to Coronavirus Disease 2019 (“COVID-19”) and the industry transformation. Despite this, our media businesses in Hong Kong and Taiwan remained stable in terms of both viewership and revenues during the period. We offered channels as well as on demand services in these two markets. Viewers could view our movies and drama series with their TV sets, PCs, mobile phones and tablets.

Looking forward, the Group will continue to explore other opportunities to increase contributions from its channel operations.

The contribution of revenues from the Group's film exhibition and film rights licensing and sub-licensing segment dropped slightly from approximately HK\$9 million to HK\$7 million. The original schedules of releasing new titles were delayed due to the outbreak of COVID-19. Subsequent to the period end, a new title namely "The Sparring Partner" was released and received welcoming and encouraging responses from the market. Another title namely "Where the Wind Blows" is expected to release shortly. Certain other titles which shooting have been completed will also be planned to release in the forthcoming year.

Since 2018, the Group authorised iQiyi, the new media platform in the PRC, to broadcast contents from the high content library of the Group on a non-exclusive basis. Since then, the Group also entered into similar agreements with other new media operators including Youku, Ixigua, Bilibili, Tencent and Disneyplus to broadcast its film library content. These cooperations further confirm the Group's important expansion strategy, as a content provider, of entering into the new media market and also release the worth of our film library. The Group will continue to seek cooperations with other major new media platforms in order to further cultivate the vast media market.

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 customised programs to its audiences.

The Group has started to penetrate into the China theatrical market and established its first cinema in Tianjin since 2011. In 2019, the Group's cinema in Guangzhou and another 20% equity investment in a Beijing cinema commenced operations. The Group's cinema are all digital and equipped with 3-D movie broadcasting functions. Operations in cinemas, as affected by COVID-19, were suspended from time to time and accordingly revenues contributed from this segment during the period dropped from approximately HK\$11 million to HK\$7 million. and the segment loss increased from HK\$9 million to HK\$12 million.

As one of the Group's cost-retrenchment measures, after taking into account the accumulated and consecutive loss position of a wholly controlled entity namely 北京在線九州信息技術服務有限公司 ("JZZX"), in February 2022, the Group reached an agreement pursuant which the Group cease to implement control on JZZX and accordingly de-consolidated JZZX in the Group's accounts. JZZX has proposed a settlement plan amounting to approximately RMB38 million (approximately HK\$42 million) against the Group's accumulated advances previously granted to JZZX. Under the settlement plan, the accumulated advances are to be settled by instalments and as at 30th September 2022, the amount settled from JZZX in accordance with the settlement plan was approximately RMB9 million (approximately HK\$10 million) and accounted for under current liabilities as at 30th September 2022. The amount recovered will be recognised in the income statement upon the completion of the entire settlement plan which is in turn subject to the fulfillment of certain conditions. The Group will continue to monitor the conditions with JZZX for the realization and completion of the settlement plan and recover the remaining outstanding amounts.

Due to the outbreak of COVID-19, the operating segment of concert performance and event organisation was suspended and did not generate revenue during the period.

The Group's associated company, namely IST Company Limited ("IST") provides services of playout, post production, HD-film restoration and internetworking solution. During the period, IST contributed loss of approximately HK\$0.6 million (2021: profit of HK\$3.7 million) to the Group.

During the period, following the changes in market conditions, the Group's financial assets at fair value through profit or loss recorded a fair value loss of approximately HK\$2.5 million (2021: HK\$0.9 million) and the investment properties portfolio of the Group contributed a deficit on revaluation of approximately HK\$12 million (2021: gain of HK\$8.3 million). Such unrealised surpluses/losses have no effect on the Group's cash flow.

COVID-19 has posted unprecedented challenges to worldwide economy, and the entertainment industry has become one of the worst hit segments. Taking into account the recent development, the pandemic situation is hopefully to be recovered and the Group's operations will gradually restore to normal. Looking forward, the Group will continue to actively seek investment opportunities that are related and/or creating synergies to the Group's existing businesses and generate greatest returns for its shareholders and reward their long-term support.

Liquidity and financial resources

At 30th September 2022, the Group has available banking facilities of approximately HK\$39,332,000, of which approximately HK\$33,360,000 were utilised. Corporate guarantees executed by the Company and certain of the Group's deposits and properties with aggregate net book values of HK\$96,193,000 were pledged to banks to secure banking facilities. The Group's gearing ratio of 36% as at 30th September 2022 was based on the total of bank loans and other loans of HK\$125,374,000 (of which HK\$26,002,000, HK\$2,178,000 and HK\$97,194,000 are repayable within one year, in the second year and after the third year respectively) and the shareholders' funds of approximately HK\$348,378,000. The Group's bank balances and borrowings are primarily denominated in HK\$, RMB and NTD. The Group will monitor its foreign currency exposure closely.

During the period ended 30th September 2022, 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 2022, the Group had commitments in respect of film rights, films in progress, film royalty deposits, and licenses amounting to approximately HK\$3.2 million. The commitments will be financed by the Group's internal resources and banking and other available facilities.

Employees

At 30th September 2022, the Group employed 95 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\$16,189,000 were charged to the profit or loss during the period.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th September 2022, the Group has complied with the code provisions set out in the Code of Corporate Governance Practices under Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

During the six months ended 30th September 2022, 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 2022.

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 2022.

On behalf of the Board
Li Kuo Hsing
Chairman

Hong Kong, 30th November 2022

As at the date of this announcement, the executive directors of the Company are Mr. Li Kuo Hsing, Mr. Li Tang Yuk and Dr. Dong Ming and the independent non-executive directors are Dr. Lam Lee G., Mr. Guo Yan Jun, Mr. Leung Tak Sing, Dominic and Mr. Ma Fung Kwok.