



Mei Ah Entertainment Group Limited

STOCK CODE: 391

Interim Report 2010/2011

The directors present the condensed consolidated financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2010. 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 2010, and the consolidated interim balance sheet of the Group as at 30th September 2010, 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 2010

		Unaudited	
		Six months ended 30th September	
		2010	2009
	<i>Note</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Turnover	4	83,812	67,018
Cost of sales		(43,207)	(36,380)
Gross profit		40,605	30,638
Other income	5	7,757	4,786
Other gains — net	6	13,897	10,247
Selling and marketing expenses		(728)	(1,118)
Administrative expenses		(25,217)	(22,671)
Operating profit	7	36,314	21,882
Finance costs		(232)	(1,825)
Profit before income tax		36,082	20,057
Income tax expense	8	(5,743)	—
Profit for the period		30,339	20,057
Attributable to:			
Equity holders of the Company		32,255	20,282
Non-controlling interests		(1,916)	(225)
		30,339	20,057
Earnings per share	9		(as restated)
Basic		0.59 cents	0.41 cents
Diluted		N/A	0.41 cents

Consolidated Statement of Comprehensive Income

For the six months ended 30th September 2010

	Unaudited	
	Six months ended 30th September	
	2010	2009
	HK\$'000	HK\$'000
Profit for the period	30,339	20,057
Other comprehensive income/(loss)		
Surplus on revaluation of buildings	2,100	—
Deferred taxation arising from revaluation surplus of buildings	(346)	—
Fair value (losses)/gains on available-for-sale financial assets	(8,963)	5,575
Release of available-for-sale financial assets revaluation reserve upon disposal	(8,370)	—
Currency translation differences	(627)	(1,226)
Other comprehensive income/(loss) for the period, net of tax	(16,206)	4,349
Total comprehensive income for the period	14,133	24,406
Attributable to:		
— Equity holders of the company	16,049	24,631
— Non-controlling interests	(1,916)	(225)
Total comprehensive income for the period	14,133	24,406

Condensed Consolidated Interim Balance Sheet

As at 30th September 2010 and 31st March 2010

		Unaudited 30th September 2010	Audited 31st March 2010
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Leasehold land and land use rights		31,864	32,025
Property, plant and equipment		109,137	105,852
Investment properties		141,080	123,898
Available-for-sale financial assets		27,278	45,086
Interest in an associated company		3,176	—
Film rights, films in progress and film royalty deposits		87,204	74,198
		399,739	381,059
Current assets			
Inventories		6,497	6,951
Trade and other receivables	11	31,163	36,794
Financial assets at fair value through profit and loss		40,421	50,124
Pledged deposit		43,500	43,517
Bank balances and cash		152,724	24,628
		274,305	162,014
Total assets		674,044	543,073
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	112,661	98,209
Share premium		126,469	—
Reserves		330,526	314,477
Shareholders' funds		569,656	412,686
Non-controlling interests		518	2,434
Total equity		570,174	415,120

		Unaudited 30th September 2010	Audited 31st March 2010
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		13,829	11,052
Borrowings	13	6,328	19,721
Obligations under finance leases	14	597	—
		20,754	30,773
Current liabilities			
Trade and other payables	12	68,845	68,718
Borrowings	13	3,292	19,950
Obligations under finance leases	14	2,178	3,023
Current income tax liabilities		8,801	5,489
		83,116	97,180
Total liabilities		103,870	127,953
Total equity and liabilities		674,044	543,073
Net current assets		191,189	64,834
Total assets less current liabilities		590,928	445,893

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September 2010

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

	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/(accumulated losses)	Non-controlling interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
The Group										
At 1st April 2009	98,209	167,569	12	107,099	(819)	14,357	15,756	(64,767)	265	337,681
Comprehensive income										
Profit for the period	—	—	—	—	—	—	—	20,282	(225)	20,057
Other comprehensive income/(loss)										
Translation of foreign subsidiaries	—	—	—	—	(1,226)	—	—	—	—	(1,226)
Revaluation surplus	—	—	—	—	—	—	5,575	—	—	5,575
Total other comprehensive income/(loss)	—	—	—	—	(1,226)	—	5,575	—	—	4,349
Total comprehensive income/(loss) for the period	—	—	—	—	(1,226)	—	5,575	20,282	(225)	24,406
At 30th September 2009	98,209	167,569	12	107,099	(2,045)	14,357	21,331	(44,485)	40	362,087

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September 2010

	Unaudited	
	Six months ended 30th September	
	2010	2009
	HK\$'000	HK\$'000
Net cash inflow from operating activities	58,408	14,126
Net cash outflow from investing activities	(40,487)	(51,959)
Net cash inflow from financing activities	114,806	8,250
Increase/(decrease) in cash and cash equivalents	132,727	(29,583)
Cash and cash equivalents at the beginning of the period	17,533	50,233
Cash and cash equivalents at the end of the period	150,260	20,650
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	152,724	53,126
Bank loans with maturity less than three months	—	(17,000)
Bank overdrafts	(2,464)	(15,476)
	150,260	20,650

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, and sale and distribution of films and programs.

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

This condensed consolidated interim financial information was approved for issue on 25th November 2010.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September 2010 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 2010, 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 2010, 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) Revised and amended standards mandatory for the first time for the financial year beginning on or after 1st April 2010 adopted by the Group

HKFRS 3 (revised), “Business combinations”, and consequential amendments to HKAS 27, “Consolidated and separate financial statements” and HKAS 28, “Investments in associates” are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009

The revised standard continues to apply the acquisition method to business combinations but with significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit and loss account. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs are expensed.

HKAS 27 (revised), "Consolidated and separate financial statements" requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit and loss.

Total comprehensive income is attributed to the owners of the parent and to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to this revision non-controlling interests will only share losses up to the non-controlling interests in the subsidiary's equity, except when the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

HKAS 27 (revised) has been applied prospectively for annual reports beginning on or after 1st April 2010 in accordance with the effective date and transition provisions of the revision.

The effect of the adoption of this revision is as below:

	For the six months ended 30th September 2010
	<i>HK\$ '000</i>
Increase in loss attributable to non-controlling interests	2,406
Decrease in non-controlling interests	2,406

- (b) Those other new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 31st March 2011 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 2010					Group
	Television operations	Film exhibition and film rights licensing and sub-licensing	Sale and distribution of films and programs in audio visual product format	Property investment	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note(a))	HK\$'000	HK\$'000
External sales	61,560	9,474	12,778	—	—	83,812
Inter-segment sales	—	600	—	—	(600)	—
Segment revenue	61,560	10,074	12,778	—	(600)	83,812
Reportable segment profit	15,061	3,205	3,736	20,706	509	43,217
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	349	48	359	—	—	756
Amortisation for film rights	18,864	3,900	4,693	—	(1,109)	26,348
Additions to property, plant and equipment	32	—	1,687	—	—	1,719
Additions to film rights, films in progress and film royalty deposits	20,826	12,206	6,923	—	(601)	39,354
As at 30th September 2010						
Reportable segment assets	47,509	56,245	215,855	147,051	(1,290)	465,370
Reportable segment liabilities	26,962	26,563	25,405	23,023	—	101,953

	Unaudited Six months ended 30th September 2009					
	Television operations	Film exhibition and film rights licensing and sub- licensing	Sale and distribution of films and programs in audio visual product format	Property investment	Elimination	Group
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000 (note (a))	HK\$ '000	HK\$ '000
External sales	50,345	3,966	12,707	—	—	67,018
Inter-segment sales	—	3,325	—	—	(3,325)	—
Segment revenues	50,345	7,291	12,707	—	(3,325)	67,018
Reportable segment profit	11,961	4,237	(2,842)	5,103	(467)	17,992
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	319	19	310	—	—	648
Amortisation for film rights	13,525	1,118	1,911	—	(2,858)	13,696
Additions to property, plant and equipment	76	1	15	—	—	92
Additions to film rights, films in progress and film royalty deposits	15,665	3,704	2,205	—	(3,155)	18,419
As at 31st March 2010						
Reportable segment assets	53,537	46,564	84,091	132,779	(1,797)	315,174
Reportable segment liabilities	19,883	20,281	38,797	20,775	—	99,736

Profit or loss

	Unaudited Six months ended 30th September	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment profit	43,217	17,992
Unallocated amounts:		
Unallocated other income	481	382
Unallocated other gains/(losses) — net	(3,285)	10,247
Unallocated finance costs	—	(2,322)
Depreciation and amortisation of property, plant and equipment and leasehold land and land use rights	(3,285)	(3,271)
Unallocated corporate expenses	(1,046)	(2,971)
Profit before income tax	36,082	20,057
Additions to property, plant and equipment Attributable to reportable segments	1,719	92
Unallocated additions	3,346	31,970
	5,065	32,062
	Unaudited 30th September 2010	Audited 31st March 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	465,370	315,174
Unallocated assets:		
Unallocated leasehold land and land use rights and buildings	126,471	121,894
Unallocated available-for-sale financial assets	40,421	45,086
Unallocated financial assets at fair value through profit or loss	27,278	50,124
Unallocated cash and cash equivalents	7,206	802
Unallocated corporate assets	7,298	9,993
Total assets per consolidated balance sheet	674,044	543,073
Reportable segment liabilities	101,953	99,736
Unallocated liabilities:		
Unallocated bank borrowings	—	26,330
Unallocated corporate liabilities	1,917	1,887
Total liabilities per consolidated balance sheet	103,870	127,953

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 financial instruments and interest in an associated company located in Hong Kong and other countries are summarized below:

	Revenues from external customers		Non-current assets (other than financial instruments and interest in an associated company)	
	Unaudited Six months ended 30th September		Unaudited 30th September	Audited 31st March
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2010 HK\$'000
Turnover				
Hong Kong	48,723	42,134	289,567	269,481
Singapore and other countries	24,455	23,339	—	—
People's Republic of China	—	—	75,600	64,400
Other countries	10,634	1,545	4,118	2,092
	83,812	67,018	369,285	335,973

Note

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

5. Other income

	Unaudited Six months ended 30th September	
	2010 HK\$'000	2009 HK\$'000
Dividend income from available-for-sale financial assets	481	382
Rental income	3,875	3,633
Commission and other income	3,401	771
	7,757	4,786

6. Other gains — net

	Unaudited Six months ended 30th September	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Surplus on revaluation of investment properties	17,182	—
Fair value (losses)/gains on financial assets at fair value through profit or loss	(9,316)	10,247
Gain on disposal of available-for-sale financial assets	6,031	—
	13,897	10,247

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	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of film rights	26,348	13,696
Patent rights	4,875	6,552
Amortisation of leasehold land and land use rights	161	161
Depreciation of property, plant and equipment	3,880	3,758
Cost of goods sold	2,532	2,728
Wages and salaries	12,549	11,019
Pension costs — defined contribution plans	262	247

8. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax — Hong Kong profits tax	3,312	—
Deferred income tax	2,431	—
	5,743	—

9. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$32,255,000 (2009: HK\$20,282,000) and on the weighted average of 5,479,042,066 (2009: 4,910,454,525, as adjusted to reflect the share subdivision in December 2009) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September 2010 has not been disclosed as there is no diluting event during the period. The diluted earnings per share for the six months ended 30th September 2009 was the same as the basic earnings per share as conversion of the Company's outstanding convertible notes would be anti-dilutive.

10. Dividends

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2010 (2009: Nil).

11. Trade and other receivables

	Unaudited 30th September 2010	Audited 31st March 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	30,550	30,732
Less: provision for impairment of receivables	(22,596)	(22,596)
Trade receivables-net	7,954	8,136
Prepayments, deposits and other receivables	23,209	28,658
	31,163	36,794

The ageing analysis of trade receivables is as follows:

	Unaudited 30th September 2010	Audited 31st March 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	7,300	8,081
4 to 6 months	634	47
Over 6 months	22,616	22,604
	30,550	30,732

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

12. Trade payables

	Unaudited 30th September 2010	Audited 31st March 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	7,130	11,749
Receipts in advance	33,542	16,770
Other payables and accruals	28,173	40,199
	68,845	68,718

The ageing analysis of trade payables is as follows:

	Unaudited 30th September 2010	Audited 31st March 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	3,017	9,933
4 to 6 months	2,309	5
Over 6 months	1,804	1,811
	7,130	11,749

13. Borrowings

	Unaudited 30th September 2010	Audited 31st March 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts — secured	2,464	7,095
Current portion of secured bank loans	828	12,855
Borrowings — current portion	3,292	19,950
Non-current portion of secured bank loans	6,328	19,721
Total borrowings	9,620	39,671

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

	Unaudited 30th September 2010	Audited 31st March 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
No later than 1 year	3,292	19,950
Between 1 to 2 years	882	2,403
Between 2 to 5 years	2,901	7,526
Later than 5 years	2,545	9,792
	9,620	39,671

14. Obligations under finance leases

Obligations under finance leases are repayable in the following periods:

	Unaudited 30th September 2010	Audited 31st March 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,245	3,164
In the second year	613	—
	2,858	3,164
Future finance charges on finance leases	(83)	(141)
Present value of finance lease liabilities	2,775	3,023
The present value of finance lease liabilities were repayable as follows:		
Within one year	2,178	3,023
In the second year	597	—
	2,775	3,023

15. Share capital

	Number of ordinary shares		Ordinary shares	
	Unaudited 30th September 2010 <i>'000</i>	Audited 31st March 2010 <i>'000</i>	Unaudited 30th September 2010 <i>HK\$'000</i>	Audited 31st March 2010 <i>HK\$'000</i>
Authorised	15,000,000	15,000,000	300,000	300,000
Issued and fully paid				
At the beginning of the period	4,910,455		98,209	
Issue of shares during the period	722,580		14,452	
At the end of the period	5,633,035	4,910,455	112,661	98,209

Pursuant to a top-up placing completed on 10th May 2010, 722,580,000 shares of the Company were allotted at a price of HK\$0.208. Details of the top-up placing were set out in the Company's announcements dated 30th April 2010 and 10th May 2010.

16. Contingent liabilities

At 30th September 2010, the Company had contingent liabilities of guarantees given to banks in respect of banking facilities granted to subsidiaries to the extent of approximately HK\$16,000,000 (31st March 2010: HK\$36,700,000).

17. Capital commitments

As at 30th September 2010, the Group had commitments contracted but not provided for in these financial information in respect of film production and film and program licensing agreements amounting to approximately HK\$4,670,000 and HK\$8,752,000 respectively (31st March 2010: HK\$310,000 and HK\$7,952,000).

Interim Dividend

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2010 (2009: Nil).

Management Discussion and Analysis

During the six months ended 30th September 2010, the Group recorded an unaudited consolidated turnover of HK\$83,812,000 (2009: HK\$67,018,000) and a profit attributable to equity holders of the Company of HK\$32,255,000 (2009: HK\$20,282,000).

The contribution of revenues from the Group's television segment was at the level of approximately HK\$61 million (2009: HK\$50 million). Since the launch of its first broadcasting channel in 2001, which broadcasts movies from the Group's film library and other programs from its business partners, the Group has continuously explored opportunities to broaden the revenue streams of its television operations. As at 30th September 2010, the Group provided three channels to now TV. In July 2007 and October 2008, the Group launched a movie channel and a drama channel respectively through the network of SingTel and under the name of MioTV in Singapore. These channels contributed steady and secured contribution to the Group.

In September 2008, the Group penetrated into the market of Japan through the acquisition of a channel supply company in Japan which broadcast through the platform of Sky PerfecTV in Japan. In October 2009, that channel became one of the basic package channels of Sky PerfecTV and since then has exposed to its wide subscriber population. The Group will continue to explore opportunities to co-operate with other cable TV and internet TV operators in Japan.

In November 2009, the Group entered into an agreement with HBO Asia to provide contents of films and drama through the launch of "RED Channel" in different territories by stages. This co-operation has enhanced the Group's exposure to the global entertainment market and also helped the Group to establish its channel brandname. RED Channel has been launched in Indovision and First Media Cable in Indonesia in April and August 2010 respectively and Hypp TV, the IPTV platform of TM Net in Malaysia in October 2010. RED Channel is seeking the opportunity to launch in the Philippines and Vietnam soon.

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

Looking forward, the Group aims to provide channels to other countries, explore opportunities of advertising income from available air-time in those TV channels, and develop channels with increasing varieties.

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

The contribution of revenues from the Group's segment of film exhibition and film rights licensing and sub-licensing increased from HK\$4 million to HK\$9.4 million, which is mainly attributable to the theatrical release of "Just Another Pandora's Box" during the period. The Group was appointed as the exclusive distribution agent for various film production projects and the Group will continue to support Hong Kong's film industry and strengthen the Group's film library by participating to invest in high quality and popular films.

The revenues attributable to sale and distribution of films and programs in audio visual product format remained stable at approximately HK\$12.8 million. Since April 2008, the Group has widened its network and source of audio visual products distribution by distributing titles for an international entertainment and media company. The Group will continue to acquire customised and popular films and diversify its distribution channels in order to maintain its competitiveness.

During the period, the Group's investments in properties and financial assets recorded a net gain of approximately HK\$13.9 million as a result of the changes in their fair values. The property investment segment also contributed steady rental income of HK\$3.8 million during the period.

During the period, the Company completed a top-up placing of 722,580,000 new shares and raised net receipt of approximately HK\$141 million for the Group's future business development and working capital requirement. Following the top-up placing, the equity base of the Company was further broadened and strengthened and the Group believes that it will continue to be benefited from that and its increasing exposure to the global entertainment industry.

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

Liquidity and financial resources

At 30th September 2010, the Group has available banking facilities of approximately HK\$62.6 million, of which approximately HK\$9.6 million were utilised. Certain of the Group's deposits and properties with aggregate net book values of HK\$68 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 2% as at 30th September 2010 was based on the total of bank loans and overdrafts (of which HK\$3,292,000, HK\$882,000, HK\$2,901,000 and HK\$2,545,000 are repayable within one year, in the second year, in the third to fifth year and after the fifth year respectively) and obligations under finance leases (of which HK\$2,178,000 and HK\$597,000 are repayable within one year and in the second year respectively) of HK\$12,395,000 and the shareholders' funds of approximately HK\$569,656,000. The Group's borrowings and bank balances are primarily denominated in Hong Kong dollars and the Group has no significant exposure to foreign currency fluctuations.

Details of the Group's contingent liabilities and commitments have been set out in notes 16 and 17 to the condensed consolidated financial information. The commitments will be financed by the Group's internal resources and banking facilities.

Employees

At 30th September 2010, the Group employed 107 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.

Share Option Scheme

Details of the share option scheme (the "Scheme") approved by the shareholders of the Company at the annual general meeting on 30th August 2004 (the "Commencement Date") were disclosed in the Company's circular dated 5th August 2004 and the annual report for the year ended 31st March 2010.

There was no outstanding share option as at 30th September 2010.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

At 30th September 2010, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

(a) Ordinary shares of HKS0.02 each in Mei Ah Entertainment Group Limited

Name of director	Number of shares beneficially held-long position			% of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	
Mr. LI Kuo Hsing	196,037,500	189,843,750 <i>Note (i)</i>	2,157,887,550 <i>Note (ii)</i>	45.16%
Mr. TONG Hing Chi	16,875,000	—	—	0.3%
Mr. CHAU Kei Leung	36,045,000	—	—	0.64%
Mr. CHAN Ngan Piu	10,125,000	—	—	0.18%

Notes:

- (i) These shares are held by Ms. LI Pik Lin, the spouse of Mr LI Kuo Hsing.
- (ii) These shares are held by Kuo Hsing Holdings Limited, a company beneficially controlled by Mr. LI Kuo Hsing.

(b) Interest in subsidiaries of the Company

Mr. LI Kuo Hsing personally holds non-voting deferred shares of HK\$1 each in the following subsidiaries:

Name	No. of non-voting deferred shares held Personal interests
Mei Ah Laser Disc Company Limited	100,000
Mei Ah Video Production Company Limited	10,000
Mei Ah Investment Company Limited	500,000

With the exception of the interests disclosed above,

- (i) at no time during the period was the Company, its subsidiaries, its associated companies, or its holding company a party to any arrangement to enable the directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation; and
- (ii) at no time during the period, the directors and chief executives (including their spouse and children under 18 years of age) had any interest in or had been granted or exercised, any rights to subscribe for shares of the Company and its associated companies (within the meaning of the SFO).

Substantial Shareholders

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30th September 2010, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition of those disclosed above in respect of the directors and chief executives.

Interests in ordinary shares of HK\$0.02 each in the Company

Name	Number of shares — Long position		
	Corporate interests	Interests of persons acting in concert	Total
IDG-Accel China Growth Fund			
— A L.P.	54,460,000	291,300,000	345,760,000
IDG-Accel China Growth Fund — L.P.	266,472,000	79,288,000	345,760,000
IDG-Accel China Investors L.P.	24,828,000	320,932,000	345,760,000
IDG-Accel China Investors Associates Ltd.	345,760,000	—	345,760,000
IDG-Accel China Growth Fund Associates L.P.	345,760,000	—	345,760,000
IDG-Accel China Growth Fund GP Associates Ltd.	345,760,000	—	345,760,000
Zhou Quan	345,760,000	—	345,760,000
Mc Govern Patrick J.	345,760,000	—	345,760,000
Breyer James	345,760,000	—	345,760,000

Notes:

- (a) The total long position interests in the above parties of 345,760,000 shares, representing 6.14% of the issued share capital of the Company, refer to the same parcel of shares.

Compliance with the Code of Corporate Governance Practices

During the six months ended 30th September 2010, 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 A.4.1, 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 2010, 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, except that Mr Li Kuo Hsing, the Chairman of the Company, without notifying the designated director of the Company for the purpose of acknowledgement of the Chairman's dealings, acquired 20,000,000 and 10,000,000 shares of the Company on 12th May 2010 and 13th May 2010 respectively. The Company shall reiterate and remind the directors from time to time in respect of the relevant procedures, rules and requirements in relation to directors' dealings in order to ensure the directors' compliance.

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 2010.

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 2010.

On behalf of the Board
Li Kuo Hsing
Chairman

25th November 2010