

The directors present the condensed consolidated financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2019. 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 2019, and the consolidated balance sheet of the Group as at 30th September 2019, 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 2019

		Unaudited Six months ended 30th September	
		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	57,478	57,012
Cost of sales		(30,802)	(42,158)
Gross profit		26,676	14,854
Other income	6	6,290	7,022
Other losses — net	7	(15,531)	(2,313)
Selling, distribution and marketing expenses		(1,893)	(1,925)
Administrative expenses		(48,746)	(44,493)
Operating loss	8	(33,204)	(26,855)
Finance income		934	650
Finance costs		(5,657)	(809)
Finance costs — net	9	(4,723)	(159)
Share of net profits/(losses) of associates		238	(5,737)
Loss before income tax		(37,689)	(32,751)
Income tax credit/(expense)	10	2,164	(235)
Loss for the period		(35,525)	(32,986)
Loss attributable to:			
Owners of the Company		(35,055)	(29,742)
Non-controlling interests		(470)	(3,244)
		(35,525)	(32,986)
Loss per share attributable to owners of the Company			
Basic and diluted loss per share	11	(0.59 HK cents)	(0.50 HK cents)

Consolidated Statement of Comprehensive Income

For the six months ended 30th September 2019

	Unaudited Six months ended 30th September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(35,525)	(32,986)
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	530	2,616
Deferred taxation arising from revaluation surplus of buildings	(97)	(389)
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(3,272)	(8,270)
Other comprehensive loss for the period, net of tax	(2,839)	(6,043)
Total comprehensive loss for the period	(38,364)	(39,029)
Total comprehensive loss attributable to:		
— Owners of the Company	(37,894)	(35,785)
— Non-controlling interests	(470)	(3,244)
Total comprehensive loss for the period	(38,364)	(39,029)

Condensed Consolidated balance sheet

As at 30th September 2019 and 31st March 2019

		Unaudited 30th September 2019	Audited 31st March 2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		227,364	238,093
Investment properties		229,255	243,156
Right-of-use assets		140,429	—
Leasehold land and land use rights		—	24,932
Film rights, films in progress and film royalty deposits		180,582	163,126
Interests in associates		10,099	9,861
Interests in joint ventures		4	4
Other receivables and deposits	13	6,072	2,668
		793,805	681,840
Current assets			
Inventories		185	454
Trade and other receivables	13	13,777	12,408
Contract assets		17,638	24,019
Deferred fulfilment costs		4,080	3,511
Financial assets at fair value through profit or loss		10,453	40,345
Pledged bank deposits		23,500	23,500
Short-term bank deposits		2,198	3,793
Cash and cash equivalents		43,070	9,117
		114,901	117,147
Total assets		908,706	798,987

		Unaudited 30th September 2019	Audited 31st March 2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	118,475	118,475
Share premium		407,428	407,428
Reserves		(27,402)	10,492
Shareholders' funds		498,501	536,395
Non-controlling interests		2,264	3,078
Total equity		500,765	539,473
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	15	39,042	40,637
Lease liabilities		123,054	—
Deferred income tax liabilities		27,635	29,759
		189,731	70,396
Current liabilities			
Trade and other payables	14	88,658	97,818
Contract liabilities		20,324	13,448
Amounts due to associates		33,602	11,638
Bank borrowings	15	54,732	54,481
Lease liabilities		9,726	—
Obligations under finance leases		—	144
Current income tax liabilities		11,168	11,589
		218,210	189,118
Total liabilities		407,941	259,514
Total equity and liabilities		908,706	798,987

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September 2019

	Attributable to shareholders									
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Exchange difference	Buildings revaluation reserve	Other reserve	Accumulated losses	Non-controlling interests	Total equity
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
The Group										
At 1st April 2019	118,475	407,428	12	189,009	(8,215)	81,586	1,061	(252,961)	3,078	539,473
Comprehensive loss										
Loss for the period	—	—	—	—	—	—	—	(35,055)	(470)	(35,525)
Other comprehensive income/ (loss)										
Surplus on revaluation of buildings	—	—	—	—	—	530	—	—	—	530
Deferred tax arising from revaluation surplus of buildings	—	—	—	—	—	(97)	—	—	—	(97)
Translation of foreign subsidiaries	—	—	—	—	(3,272)	—	—	—	—	(3,272)
Total other comprehensive income/(loss)	—	—	—	—	(3,272)	433	—	—	—	(2,839)
Total comprehensive income/ (loss) for the period	—	—	—	—	(3,272)	433	—	(35,055)	(470)	(38,364)
Transactions with owners, recognised directly in equity										
Dividend relating to 2019	—	—	—	—	—	—	—	—	(344)	(344)
At 30th September 2019	118,475	407,428	12	189,009	(11,487)	82,019	1,061	(288,016)	2,264	500,765

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	Attributable to shareholders									
	Share capital	Share premium	Share redemption reserve	Contributed surplus	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>
The Group										
At 1st April 2018, as previously reported	118,475	407,428	12	189,009	(1,889)	78,135	2,481	(170,014)	4,691	628,328
Reclassification on adoption of HKFRS9 (note 3)	—	—	—	—	—	—	(2,481)	2,481	—	—
At 1st April 2018, as restated	118,475	407,428	12	189,009	(1,889)	78,135	—	(167,533)	4,691	628,328
Comprehensive loss										
Loss for the period	—	—	—	—	—	—	—	(29,742)	(3,244)	(32,986)
Other comprehensive income/(loss)										
Surplus on revaluation of buildings	—	—	—	—	—	2,616	—	—	—	2,616
Deferred tax arising from revaluation surplus of buildings	—	—	—	—	—	(389)	—	—	—	(389)
Translation of foreign subsidiaries	—	—	—	—	(8,270)	—	—	—	—	(8,270)
Total other comprehensive income/(loss)	—	—	—	—	(8,270)	2,227	—	—	—	(6,043)
Total comprehensive income/(loss) for the period	—	—	—	—	(8,270)	2,227	—	(29,742)	(3,244)	(39,029)
At 30th September 2018	118,475	407,428	12	189,009	(10,159)	80,362	—	(197,275)	1,447	589,299

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September 2019

	Unaudited Six months ended 30th September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Cash generated from operations	39,039	6,919
Income tax paid	(421)	(164)
Net cash generated from operating activities	38,618	6,755
Cash flows from investing activities		
Purchase of property, plant and equipment	(441)	(724)
Purchase of film rights, films in progress and film royalty deposits	(28,678)	(22,584)
Proceeds from disposal of financial assets at fair value through profit or loss	27,351	—
Interest received	564	650
Investment in an associate	—	(7,553)
Change in short-term deposits	1,595	(1,163)
Net cash generated from/(used in) investing activities	391	(31,374)
Cash flows from financing activities		
(Repayments of bank loans)/proceeds from bank loans	(522)	6,487
Interest paid on loans and overdrafts	(1,014)	(804)
Interest paid on lease liabilities	(2)	—
Interest element of finance leases	—	(5)
Repayments of principal elements of lease liabilities	(86)	—
Repayments of capital element of finance leases	—	(83)
Dividend paid to non-controlling interests	(344)	—
Net cash generated from/(used in) financing activities	(1,968)	5,595

**Unaudited
Six months ended
30th September**

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net increase/(decrease) in cash and cash equivalents	37,041	(19,024)
Cash and cash equivalents at beginning of period	(13,846)	37,023
Exchange differences	(3,361)	(5,512)
Cash and cash equivalents at end of period	19,834	12,487
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	43,070	34,030
Bank overdrafts	(23,236)	(21,543)
	19,834	12,487

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 television operations, film exhibition, film rights licensing and sub-licensing, theatre operations, concert performances and events organisation, mobile games applications and video online, artiste management 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 28th November 2019.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September 2019 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 2019, which have been prepared in accordance with HKFRSS.

During the period ended 30th September 2019, the Group incurred a loss before income tax of HK\$37,689,000 and as at 30th September 2019, the Group had net current liabilities of approximately HK\$103,309,000.

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 bank facilities, the Group will have sufficient financial resources to meet its liabilities as and when they fall due in the coming twelve months from the balance sheet date. Accordingly, the directors believe 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 2019, 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 2020. Details of the changes in accounting policies are set out below:–

(i) *New and amended standards and interpretations adopted by the Group*

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments, if applicable, as a result of adopting the following standards:

Amendments to Annual Improvements Project	Annual improvements 2015–2017 cycle
HKFRS 9 (Amendment)	Prepayment features with negative compensation
HKFRS 16	Leases
HKAS 19 (Amendment)	Plan amendment, curtailment or settlement
HKAS 28 (Amendment)	Long-term interests in associates or joint ventures
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

Except for the impact of adoption of HKFRS16 set out in Note 3(ii) below, other new and amended standards and interpretations are either not relevant to the Group or did not have any material impact on the Group’s accounting policies.

(ii) *HKFRS 16 “Leases” — Impact of adoption*

The Group has adopted HKFRS 16 from its mandatory adoption date of 1st April 2019. The Group has applied the modified retrospective approach and has not restated comparative amounts for the last reporting period. The reclassifications and the adjustments arising from the new standard are therefore recognised in the opening balance sheet on 1st April 2019.

(a) *Adjustments recognised on adoption of HKFRS 16*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1st April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1st April 2019 was approximately 5%.

	<i>HK\$’000</i>
Operating lease commitments disclosed as at 31st March 2019	162,093
<i>Add:</i> finance lease liabilities recognised as at 31st March 2019	144
<i>Less:</i> discounted using the lessee’s incremental borrowing rate of the date of initial application	(21,189)
<i>Less:</i> short-term leases and low-value leases recognised on a straight-line basis as expense	(206)
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Lease liabilities recognised as at 1st April 2019	140,842
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Of which are:	
Current lease liabilities	7,041
Non-current lease liabilities	133,801
	<hr/>
	140,842
	<hr/>

Under the modified retrospective approach, the right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1st April 2019.

Leasehold land and land use rights previously presented as a separate item on the balance sheet are grouped as part of right-of-use assets with effect from 1st April 2019.

The recognised right-of-use assets relate to the following types of assets:

	30th September 2019	1st April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land and land use rights	24,536	24,932
Properties	115,893	140,698
	140,429	165,630

The change in accounting policy affected the following items in the balance sheet on 1st April 2019:

	At 31st March 2019 as originally presented	Effects of the adoption of HKFRS 16	At 1st April 2019 restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Condensed consolidated balances sheet (extract)			
Non-current assets			
Leasehold land and land use rights	24,932	(24,932)	—
Right-of-use assets	—	165,630	165,630
Current liabilities			
Lease liabilities	—	(7,041)	(7,041)
Obligations under finance leases	(144)	144	—
Non-current liabilities			
Lease liabilities	—	(133,801)	(113,801)

The impact on the Group's net profit after tax for the six months ended 30th September 2019 as a result of adoption of HKFRS 16 is not significant.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1st April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining Whether an Arrangement Contains a Lease".

(b) *The Group's leasing activities and how these are accounted for*

The Group leases various premises for its theatre operations. Rental contracts are typically made for periods of 15 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and leased assets have not been used as security for borrowing purposes.

The Group also leases certain land use rights in Hong Kong and the People's Republic of China. These land use rights are leased for a period of between 50 to 70 years on which buildings of the Group are situated on.

Until the financial years ended 31st March 2019, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1st April 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

(i) As a lessor

The Group leases out various premises under non-cancellable operating lease arrangements. The lease terms are between 1 to 3 years. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor.

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 2019.

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 2019							Group
	Television operations	Film exhibition and film rights licensing and sub-licensing	Theatre operations	Concert performance and events organisation	Mobile games applications and video online	Artiste management	Property investment	
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000 <i>(note (a))</i>	HKS'000
Segment revenue	26,223	3,250	22,004	4,142	1,090	769	—	57,478
Reportable segment profit/(loss)	(1,709)	(9,388)	(7,494)	389	(2,943)	(40)	(9,730)	(30,915)
Depreciation of property, plant and equipment	(191)	(72)	(4,382)	(45)	(44)	—	—	(4,734)
Depreciation of right-of-use assets	—	—	(4,715)	—	—	—	—	(4,715)
Fair value deficit on revaluation of investment properties	—	—	—	—	—	—	(12,816)	(12,816)
Amortisation for film rights	(8,652)	(855)	—	—	—	—	—	(9,507)
Finance costs	—	—	(4,641)	—	—	—	—	(4,641)
Additions to property, plant and equipment	37	26	364	—	10	—	—	437
Additions to film rights, films in progress and film royalty deposits	6,064	22,614	—	—	—	—	—	28,678
As at 30th September 2019								
Reportable segment assets	34,413	211,146	179,224	4,523	1,385	519	235,208	666,418
Reportable segment liabilities	(22,583)	(132,303)	(150,284)	(2,413)	(508)	(394)	(25,172)	(333,657)

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Unaudited
Six months ended 30th September 2018

	Television operations	Film exhibition and film rights licensing and sub-licensing	Theatre operations	Concert performance and events organisation	Mobile games and applications video online	Artiste management	Sale and distribution of films and programs in audio visual product format	Property investment	Elimination	Group
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	<i>(note (a))</i>									
Segment revenue	21,953	9,839	10,962	10,908	2,703	617	30	—	—	57,012
Reportable segment profit/(loss)	(3,847)	(6,682)	(2,953)	(4,888)	(9,017)	(136)	(3,017)	5,988	123	(24,429)
Depreciation and amortisation for property, plant and equipment and leasehold land and land use rights	(307)	(81)	(761)	(252)	(47)	—	(162)	—	—	(1,610)
Fair value gain on revaluation of investment properties	—	—	—	—	—	—	—	2,430	—	2,430
Amortisation for film rights	(7,269)	(7,553)	—	—	—	—	—	—	123	(14,699)
Share of losses of an associate	—	—	—	—	(5,983)	—	—	—	—	(5,983)
Additions to property, plant and equipment	41	—	654	1	—	—	14	—	—	710
Additions to film rights, films in progress and film royalty deposits	6,546	16,038	—	—	—	—	—	—	—	22,584
As at 31st March 2019	36,877	159,707	65,298	4,419	1,356	1,598	29,275	248,444	—	546,974
Reportable segment assets	(18,657)	(61,809)	(71,668)	(2,716)	(834)	(1,800)	(1,711)	(26,562)	—	(185,757)
Reportable segment liabilities										

Profit or loss

	Unaudited Six months ended 30th September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment loss	(30,915)	(24,429)
Unallocated amounts:		
Unallocated other income	1,062	1,759
Unallocated other losses	(2,715)	(4,743)
Unallocated finance costs — net	(82)	(450)
Unallocated depreciation and amortisation of property, plant and equipment and leasehold land and land use rights	(3,200)	(3,393)
Unallocated depreciation of right-of-use assets	(396)	—
Unallocated share of profits of associates	238	246
Unallocated corporate expenses	(1,681)	(1,741)
Loss before income tax	(37,689)	(32,751)
	Unaudited 30th September 2019	Audited 31st March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Reportable segment assets	666,418	546,974
Unallocated assets:		
Unallocated property, plant and equipment and leasehold land and land use rights	173,155	199,925
Unallocated right-of-use assets	24,536	—
Unallocated financial assets at fair value through profit or loss	10,453	40,345
Unallocated cash and cash equivalents	23,856	55
Unallocated interests in and amounts due from associates	10,080	9,865
Unallocated corporate assets	208	1,823
Total assets	908,706	798,987
Liabilities		
Reportable segment liabilities	333,657	185,757
Unallocated liabilities:		
Unallocated bank borrowings	58,669	59,191
Unallocated amounts due to associates	12,045	11,638
Unallocated corporate liabilities	3,570	2,928
Total liabilities	407,941	259,514

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 assets located in Hong Kong and other countries are summarized below:

	Revenues from external customers Unaudited Six months ended 30th September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	14,985	19,236
People's Republic of China	23,703	14,049
Taiwan	3,832	4,471
Other countries	14,958	19,256
	57,478	57,012

	Non-current assets (other than financial assets)	
	Unaudited 30th September 2019	Audited 31st March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	468,149	456,233
People's Republic of China	276,137	174,792
Taiwan	25,398	25,960
Other countries	18,049	22,187
	787,733	679,172

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	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income from available-for-sale financial assets	1,062	1,759
Rental income	3,919	4,375
Management fee and other income	1,309	888
	6,290	7,022

7. Other losses — net

	Unaudited Six months ended 30th September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Deficit)/surplus on revaluation of investment properties	(12,816)	2,430
Fair value losses on financial assets at fair value through profit or loss	(2,715)	(4,743)
	(15,531)	(2,313)

8. Expenses by nature

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

	Unaudited Six months ended 30th September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of film rights	9,507	14,699
Amortisation of leasehold land and land use rights	—	395
Cost of goods sold	452	267
Depreciation of property, plant and equipment	7,934	4,608
Depreciation of right-of-use assets	5,111	—
Employee benefit expenses	24,715	22,155

9. Finance costs – net

	Unaudited Six months ended 30th September	
	2019	2018
	HK\$'000	HK\$'000
Finance income		
— Interest income on short-term bank deposits	331	417
— Interest income on loans to an associate	233	233
— Interest income from the financing components of contracts with customers	370	—
	934	650
Finance costs		
— Interest on bank and other borrowings	(2,281)	(804)
— Interest on lease liabilities	(3,376)	—
— Interest element of finance leases	—	(5)
	(5,657)	(809)
Finance costs — net	(4,723)	(159)

10. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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	
	2019	2018
	HK\$'000	HK\$'000
Current income tax	—	(332)
Deferred income tax	2,164	97
Income tax credit/(expense)	2,164	(235)

11. 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\$35,055,000 (2018: HK\$29,742,000) and on the weighted average of 5,923,739,000 (2018: 5,923,739,000) ordinary shares in issue during the period.

(b) Diluted

For the six months ended 30th September 2019 and 2018, 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.

12. Dividends

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2019 (2018: Nil).

13. Trade and other receivables

	Unaudited 30th September 2019	Audited 31st March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	25,011	25,394
Less: provision for impairment of receivables	(20,868)	(20,868)
Trade receivables — net	4,143	4,526
Prepayments	6,094	2,371
Other receivables and deposits	9,612	8,179
	19,849	15,076
Less: Other receivables and deposits — non current portion	(6,072)	(2,668)
Current portion	13,777	12,408

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

	Unaudited 30th September 2019	Audited 31st March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	4,143	4,351
4 to 6 months	—	175
Over 6 months	20,868	20,868
	25,011	25,394

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

14. Trade and other payables

	Unaudited 30th September 2019	Audited 31st March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	5,676	10,259
Other payables and accruals	82,982	87,559
	88,658	97,818

The ageing analysis of trade payables is as follows:

	Unaudited 30th September 2019	Audited 31st March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	2,556	6,858
4 to 6 months	—	—
Over 6 months	3,120	3,401
	5,676	10,259

15. Bank and other borrowings

	Unaudited 30th September 2019	Audited 31st March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts — secured	23,236	22,963
Secured bank loans — current portion	31,496	31,518
Bank borrowings — current portion	54,732	54,481
Secured bank loans — non-current portion	3,937	4,710
Total bank borrowings	58,669	59,191
Other borrowing — non-current portion	35,105	35,927
Total borrowings	93,774	95,118

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

	Unaudited 30th September 2019	Audited 31st March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	54,732	54,481
Between 1 to 2 years	1,528	1,542
Between 2 to 5 years	2,409	3,168
	58,669	59,191

(b) Other borrowing

As at 30th September 2019, other borrowing amounting to outstanding principal of RMB30,000,000 (approximately HK\$32,964,000) (31st March 2019: RMB30,000,000, approximately HK\$35,022,000) and accumulated interest of RMB1,900,000 (approximately HK\$2,141,000) (31st March 2019: RMB775,000, approximately HK\$905,000). The borrowing is interest-bearing at a fixed rate of 7.5% per annum, unsecured and not repayable within 3 years from drawdown date.

16. Share capital

	Number of ordinary shares		Ordinary shares	
	Unaudited 30th September 2019	Audited 31st March 2019	Unaudited 30th September 2019	Audited 31st March 2019
	'000	'000	HK\$'000	HK\$'000
Authorised	15,000,000	15,000,000	300,000	300,000
Issued and fully paid	5,923,739	5,923,739	118,475	118,475

17. Capital commitments

As at 30th September 2019, the Group had contracted commitments but not provided for in the financial information as follows:

	Unaudited 30th September 2019	Audited 31st March 2019
	HK\$'000	HK\$'000
Film rights, films in progress and film royalty deposits	4,178	9,310
Licenses	—	2,900
	4,178	12,210

18. 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 1 to 3 years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited 30th September 2019	Audited 31st March 2019
	HK\$'000	HK\$'000
Within 1 year	3,395	2,292
Later than 1 year and no later than 5 years	561	431
	3,956	2,723

19. Related party transactions

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

	Unaudited Six months ended 30th September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Payout, post-production and origination services payable to an associated company	6,192	4,663
Rental income receivable from associated companies	655	727
Management fee income receivable from an associated company	138	122
Interest income receivable from an associated company	233	233
Other administrative costs payable to an associated company	368	368

Interim Dividend

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2019 (2018: Nil).

BUSINESS REVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September 2019, the Group recorded a consolidated revenue of HK\$57,478,000 (2018: HK\$57,042,000), gross profit of HK\$26,676,000 (2018: HK\$14,854,000) and a loss attributable to owners of the Company of HK\$35,055,000 (2018: HK\$29,742,000). Improvement in gross profit was mainly due to the increased revenues generated from television and theatre operations with higher gross margin during the period.

The contribution of revenues from the Group's television segment for the period increased from approximately HK\$21.9 million to HK\$26.2 million. As at 30th September 2019, the Group provided channels through various operators, including "RED by HBO" channel through the platform of HBO in certain Asian territories, HD movie channel through Chunghwa Telecom MOD platform and a movie channel through the TVB pay vision in Hong Kong.

Since 2009, the Group has co-operated with world-class media HBO to jointly launch a dedicated Asian channel "RED by HBO" distributing in various markets in Southeast Asia. In 2018, the Group concluded two additional agreements with HBO Asia to expand and deepen the cooperation. The additional agreements essentially expand the cooperation from traditional TV channel service to new media on-line businesses, extend the scope of service to Singapore and also extend the cooperation term for 5 years to 2022.

Through the expansion of the cooperation with HBO Asia and the existing cooperations with other major media groups in the region, the Group has well positioned itself as one of the most important content providers to provide contents to both the traditional and new media platforms in Greater China and Asia. We believe the media industry is in the process of transforming from traditional TV channel business to new media business and creates a golden chance for the Group to expand its media businesses rapidly.

MEI AH ENTERTAINMENT GROUP LTD.

In Hong Kong, the Group cooperates with TVB, the largest media group in Hong Kong, broadcasting the Mei Ah Movie Channel and providing quality movie content to TVB's new media business.

In Taiwan, the Group cooperates with Chunghwa Telecom, one of the largest telecommunication companies in Taiwan, in providing TV channels, VOD and OTT contents for audience in Taiwan.

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

The contribution of revenues from the Group's film exhibition and film rights licensing and sub-licensing segment decreased from approximately HK\$9.8 million to HK\$3.2 million. Fewer releases and licensing were concluded and completed during the period. A number of new titles, casted by popular artistes, are pending for release in the second half of the financial year, including titles namely "Theory of Ambitions" and "Guilt by Design". Certain other titles are in the progress of shooting and expected to be released in the year 2020. These titles received encouraging responses from the market during their pre-sale.

The Group also cooperates with iQIYI, the new media platform with the largest internet traffic in the PRC. In 2018, the Group authorised iQIYI to broadcast contents from the high content library of the Group on a non-exclusive basis. In addition to the guaranteed program fee, the Group is also able to share the subscriber's monthly fee of iQIYI's services. The cooperation with iQIYI further confirms the Group's important expansion strategy, as a content provider, of entering into the new media market in the PRC. The Group will continue to seek cooperations with other major new media platforms in order to further cultivate the vast media market in the PRC.

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.

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 Shanghai has also commenced operations since 2013. In 2019, the Group's new theatre in Guangzhou commenced operations. The Group's theatres are all digital and equipped with 3-D movie broadcasting functions. The theatres operations contributed revenues of approximately HK\$22.0 million (2018: HK\$10.9 million) in aggregate during the period. The Group's another 20% equity investment in Beijing theatre also commenced operations during the period.

During the period, the Group's operating segment of concert performance contributed revenues of approximately HK\$4.1 million (2018: HK\$10.9 million) as less events were held during the period. More events will be held in the second half of the financial year. The Group is of the view that this segment will continue to bring contribution to the Group.

In respect of the mobile games applications and video online segment, the Group has launched its video website and mobile apps, which include contents of films, drama and entertainment news. Looking forward, the Group considers the new media investment will ignite a revolution to the industry and fit the expected market demand.

The Group has signed up to manage the jobs of a number of artistes and has developed its artiste management business. The artiste management of the Group contributed revenue of approximately HK\$769,000 (2018: HK\$617,000) during the period. It becomes a base to build our talent management business and the Group will explore to seek other potential artistes and performers in order to build up its talent pool.

The Group's channel management operations are conducted through its associated company, namely IST Company Limited and its subsidiaries ("IST"). Other than providing channel management services to the Group, IST also provides the same playout service plus post-production, HD-film restoration and internetworking solution to a number of other media operators. IST has planned to provide its services under the developing platform which enables clients to distribute contents in different formats to different ends, which is expected to contribute future favorable returns to IST and the Group.

During the period, 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 loss of approximately HK\$2.7 million (2018: HK\$4.7 million). The investment properties portfolio of the Group contributed a deficit on revaluation of approximately HK\$12.8 million (2018: surplus of HK\$2.4 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. Pursuant to the directions from the Court, all of the relevant claims were further consolidated in the consolidated statement of claims (the "Consolidated Statement of Claims") filed on 30th March 2017.

The claims as in the Consolidated Statement of Claims did not specify the amount of damages being claimed. The Consolidated Statement of Claims alleged that the Company was a shadow director of one of its associated companies (the “Associated Company”) which went into liquidation in 2003, and in its capacity as an alleged shadow director owed fiduciary duties to the Associated Company and were trustees of the assets of the Associated Company, and also alleged that the Company fraudulently breached such fiduciary duties.

Court hearing is tentatively to be held in February 2020. The directors of the Company, after taking advice from its legal advisors which have considered the information so far available, consider that the prospects of success of such claims depends on the findings of the Court in respect of the legal and factual issues involved in the case, and that the Company has a good chance to defend its position.

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 2019, the Group has available banking facilities of approximately HK\$63.9 million, of which approximately HK\$58.7 million were utilised. Corporate guarantees executed by the Company and certain of the Group’s deposits and properties with aggregate net book values of HK\$94 million were pledged to banks to secure banking facilities. The Group’s gearing ratio of 45.4% as at 30th September 2019 was based on the total of bank and other borrowings and lease liabilities of HK\$226,554,000 (of which HK\$64,458,000, HK\$8,874,000, HK\$63,139,000 and HK\$90,083,000 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\$498,501,000. The Group’s bank balances and borrowings are primarily denominated in HK dollars, RMB and NTD. The Group will monitor its foreign currency exposure closely. During the period ended 30th September 2019, 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 2019, the Group had commitments in respect of film production, film and program licensing agreements amounting to approximately HK\$4 million. The commitments will be financed by the Group’s internal resources and banking and other available facilities.

Employees

At 30th September 2019, the Group employed 160 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\$24.7 million were charged to the profit and loss during the period.

Share option scheme

Details of the share option scheme (the "Scheme") approved by the shareholders of the Company at the annual general meeting on 1st September 2014 were disclosed in the Company's circular dated 31st July 2014 and the annual report for the year ended 31st March 2019.

There was no outstanding share option as at 30th September 2019.

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations

At 30th September 2019, 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 HK\$0.02 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 as at 30th September 2019
	Personal interests	Family interests	Corporate interests	
Mr. Li Kuo Hsing	370,967,500	189,843,750 <i>Note (i)</i>	2,565,137,550 <i>Note (ii)</i>	52.77%
Mr. Tong Hing Chi	16,875,000	—	—	0.28%
Mr. Li Tang Yuk	1,940,000	—	—	0.03%
Dr. Dong Ming	5,000,000	—	—	0.08%

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 Investment Company Limited	500,000
Mei Ah Press Limited	100,000
Mei Ah Video Production Company Limited	10,000

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' shares and underlying shares of the Company

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30th September 2019, 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	Note	Number of shares beneficially held — Long position	% of the issued share capital of the Company as at 30th September 2019
Ho Chi Sing	<i>(a)</i>	398,840,000	6.73
IDG-Accel China Growth Fund Associates L.P.	<i>(b)</i>	370,205,516	6.25
IDG-Accel China Growth Fund GP Associates Ltd.	<i>(b)</i>	370,205,516	6.25
Zhou Quan	<i>(b)</i>	370,205,516	6.25
IDG-Accel China Growth Fund — L.P.		307,385,666	5.19
Li Pei Chin		334,042,000	5.64
李國林		296,195,000	5.00

Notes:

- (a) Included the 370,205,516 shares as set out in note (b).
- (b) Referred to the same parcel of shares and included the 307,385,666 shares held by IDG-Accel China Growth Fund L. P.

Compliance with the Code of Corporate Governance Practices

During the six months ended 30th September 2019, 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 2019, 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 2019.

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 2019.

On behalf of the Board

Li Kuo Hsing

Chairman

28th November 2019