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## **CORPORATE INFORMATION**

### **Directors**

#### *Executive Directors*

Li Kuo Hsing (*Chairman*)  
Tong Hing Chi  
Chau Kei Leung

#### *Non-Executive Director*

Chan Ngan Piu

#### *Independent Non-Executive Directors*

Lee Man Kwong  
Cheung Kung Tai

### **Company secretary**

Tong Hing Chi

### **Registered office**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### **Head office and principal place of business**

Units 15-28, 17th Floor  
Metro Centre, Phase 1  
32 Lam Hing Street  
Kowloon Bay  
Kowloon  
Hong Kong

### **Principal bankers**

The Hongkong & Shanghai Banking Corporation Limited  
The National Commercial Bank,  
Limited

### **Auditors**

PricewaterhouseCoopers  
*Certified Public Accountants*

### **Principal share and warrant registrar and transfer office**

Butterfield Corporate Services Limited  
Rosebank Centre  
14 Bermudiana Road  
Pembroke  
Bermuda

### **Hong Kong branch share registrar, warrants registrar and transfer office**

Tengis Limited  
4/F Hutchison House  
10 Harcourt Road  
Central

Hong Kong

**Audit committee**

Lee Man Kwong

Cheung Kung Tai

**Authorized representatives**

Li Kuo Hsing

Tong Hing Chi

website : [www.meiah.com](http://www.meiah.com)

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The directors are pleased to present the Group's Interim Report and condensed accounts for the six months ended 30th September 2000. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of recognised gains and losses for the Company, its subsidiaries and associated companies (the Group) for the six months ended 30th September 2000, and the consolidated balance sheet of the Group as at 30th September 2000, all of which are unaudited and condensed, along with selected explanatory notes, are set out as follows:

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited six months ended 30th September	
		2000	1999
	Note	HK\$ '000	HK\$ '000
Turnover	2	109,422	90,659
Cost of sales		(82,706)	(76,459)
Gross profit		26,716	14,200
Other revenues		10,260	5,775
Other income	3	6,563	–
Selling and marketing expenses		(6,789)	(3,709)
Administrative expenses		(18,362)	(16,391)
Other expenses		(65)	(871)
Operating profit/(loss)	3	18,323	(996)
Finance costs		(1,913)	(1,858)
Share of loss of a jointly controlled entity		(791)	(1,598)
Share of losses less profits of associated companies		(12,246)	1,633
Profit/(loss) before taxation		3,373	(2,819)
Taxation	4	–	–
Profit/(loss) attributable to shareholders		3,373	(2,819)
Basic earnings/(loss) per share	5	1.31 cents	(1.59) cents

No statement of recognised gains and losses is presented as profit after taxation of HK\$3,373,000 (1999: loss of HK\$2,819,000) shown above is the only component.

#### CONDENSED CONSOLIDATED BALANCE SHEETS

		Unaudited 30th September 2000	31st March 2000
	Notes	HK\$ '000	HK\$ '000
Fixed assets		171,332	143,668
Interest in a jointly controlled entity		4,000	4,415
Associated companies		56,417	52,047

Investment securities		<b>9,808</b>	10,110
Film rights and films in progress		<b>69,763</b>	57,789
Pledged bank deposits		–	14,000
Deposit for acquisition of additional interest in an associated company		–	8,000
Current assets			
Inventories		<b>14,661</b>	16,470
Film sub-licensing rights and deposits		<b>69,911</b>	64,078
Accounts receivable	6	<b>30,681</b>	17,394
Prepayments, deposits and other receivables		<b>34,003</b>	16,951
Bank balances and cash		<b>225</b>	39,389
Other current assets		<b>753</b>	660
		<b>150,234</b>	154,942
		-----	-----
Current liabilities			
Accounts payable	7	<b>9,232</b>	9,877
Receipts in advance and accruals		<b>29,917</b>	17,212
Bills payable		<b>4,469</b>	6,210
Bank overdrafts _ secured		<b>11,067</b>	8,683
Bank overdrafts _ unsecured		<b>323</b>	216
Current portion of long-term liabilities	8	<b>16,048</b>	12,442
		<b>71,056</b>	54,640
		-----	-----
Net current assets		<b>79,178</b>	100,302
		<b>390,498</b>	390,331
Financed by:			
Share capital	9	<b>25,704</b>	25,704
Reserves	10	<b>355,814</b>	352,441
Shareholders_ funds		<b>381,518</b>	378,145
Long-term liabilities	8	<b>8,980</b>	12,186
		<b>390,498</b>	390,331

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Unaudited six months ended

**30th September 2000**  
**HK\$\_000**

Net cash inflow from operating activities	<b>4,738</b>
Net cash outflow from returns on investments and servicing of finance	<b>(1,277)</b>
Tax refunded	<b>410</b>
Net cash outflow from investing activities	<b>(49,049)</b>
Net cash outflow before financing	<b>(45,178)</b>
Net cash inflow from financing	<b>243</b>
Decrease in cash and cash equivalents	<b>(44,935)</b>
Cash and cash equivalents at 1st April	<b>23,770</b>
Cash and cash equivalents at 30th September	<b>(21,165)</b>
Analysis of balances of cash and cash equivalents:	
Bank balances and cash	<b>225</b>
Bank overdrafts	<b>(11,390)</b>
Bank loans	<b>(10,000)</b>
	<b>(21,165)</b>

No comparative figures are shown in the condensed consolidated cash flow statement as the Group places reliance on paragraph 37(5) of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited which provides exemption from the need to prepare the condensed consolidated cash flow statement for the previous period.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS:

### 1 Principal accounting policies

These unaudited condensed consolidated interim financial statements (\_interim financial statements\_) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (\_SSAP\_) No. 25 \_Interim Financial Reporting\_ issued by the Hong Kong Society of Accountants and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual financial statements for the year ended 31st March 2000. The interim financial statements should be read in conjunction with the 2000 annual financial statements.

As a result of the adoption of the revised Statement of Standard Accounting Practice No. 1 \_Presentation of financial statements\_ issued by the Hong Kong Society of Accountants, certain comparative figures have been reclassified and extended accordingly.

### 2 Turnover and segment information

The group is principally engaged in the production and distributions of films and programs, film exhibition, film rights sub-licensing and provision of information technology and related services. Revenues by principal activities recognised during the period are as follows:

	<b>Turnover</b>		<b>Operating profit/(loss)</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>six months ended</b>		<b>six months ended</b>	
	<b>30th September</b>		<b>30th September</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>HK\$_000</b>	<b>HK\$_000</b>	<b>HK\$_000</b>	<b>HK\$_000</b>
Principal activities				
Distribution of films and programs in audio visual product formats	<b>89,742</b>	70,922	<b>10,096</b>	(1,453)
Film exhibition and film rights sub-licensing	<b>17,043</b>	17,493	<b>989</b>	(150)
Provision of information technology and related services, website design and management services	<b>2,037</b>	821	<b>502</b>	(355)
Others	<b>600</b>	1,423	<b>173</b>	962
	<b>109,422</b>	90,659	<b>11,760</b>	(996)

No geographical analysis is provided as less than 10% of the consolidated turnover and of the consolidated trading results of the Group are attributable to markets outside Hong Kong.

### 3 Operating profit/(loss)

Operating profit/(loss) is stated after crediting and charging the following:

**Unaudited**  
**Six months ended**  
**30th September**  
**2000**                      1999  
*HK\$\_000*                      *HK\$\_000*

**Crediting**

Gain on dilution of interest in an associated company, net of premium on acquisition of additional interest in that associated company prior to the dilution	<b>6,563</b>	–
Interest income	<b>636</b>	119

**Charging**

Amortisation of film rights	<b>10,268</b>	19,172
Depreciation:		
_ owned fixed assets	<b>7,874</b>	4,395
_ leased fixed assets	<b>18</b>	620

**4 Taxation**

No provision for Hong Kong and overseas profits tax has been made as there are sufficient tax losses brought forward to set off against the assessable profit for the period.

The Group's jointly controlled entity in mainland China did not have any assessable income for mainland China tax purposes and accordingly no provision for mainland China taxation has been made in the accounts.

**5 Earnings/(loss) per share**

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$3,373,000 (1999: loss of HK\$2,819,000) and on the weighted average of 257,041,400 shares in issue during the period (1999: weighted average of 177,295,600 shares, adjusted to reflect the rights issue of shares in August 1999).

The outstanding share options as at 30th September 2000 have not been included in the calculation of the diluted earnings per share as the exercise of these share options would have an anti-dilutive effect.

**6 Accounts receivable**

The ageing analysis of accounts receivable is as follows:

	<b>Unaudited</b>	
	<b>30th</b>	31st
	<b>September</b>	March
	<b>2000</b>	2000
	<b>HK\$_000</b>	<b>HK\$_000</b>
Current to 3 months	<b>27,019</b>	12,500
4 to 6 months	<b>654</b>	736
Over 6 months	<b>3,008</b>	4,158



**30,681**                      17,394

The sales of films and programs in audio visual product formats are with credit terms of 7 to 30 days. The turnover from film exhibition, film right sub-licensing and the provision of information technology and related services are on open account term. Certain balances are covered by customers' deposits placed with the Group.

**7 Accounts payable**

The ageing analysis of accounts payable is as follows:

	<b>Unaudited 30th September 2000 HK\$ '000</b>	31st March 2000 HK\$ '000
Current to 3 months	<b>3,733</b>	3,456
4 to 6 months	<b>3,202</b>	4,542
Over 6 months	<b>2,297</b>	1,879
	<b>9,232</b>	9,877

**8 Long term liabilities**

	<b>Unaudited 30th September 2000 HK\$ '000</b>	31st March 2000 HK\$ '000
Secured bank loans ( <i>note (a)</i> )	<b>24,947</b>	24,551
Obligations under finance leases ( <i>note (b)</i> )	<b>81</b>	77
	<b>25,028</b>	24,628
Current portion of long-term liabilities	<b>(16,048)</b>	(12,442)
	<b>8,980</b>	12,186

**8 Long term liabilities (*cont\_d*)**

(a) Secured bank loans are repayable in the following periods:

	<b>Unaudited 30th September 2000 HK\$ '000</b>	31st March 2000 HK\$ '000
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Within one year	<b>16,020</b>	12,426
Over one year	<b>8,927</b>	12,125
	<b>24,947</b>	24,551

(b) Obligations under finance leases are repayable in the following periods:

	<b>Unaudited 30th September 2000 HK\$_000</b>	31st March 2000 HK\$_000
Within one year	<b>28</b>	16
Over one year	<b>53</b>	61
	<b>81</b>	77

## 9 Share capital

	<b>Authorised (Ordinary shares of HK\$0.1 each) No. of shares      HK\$_000 (Thousands)</b>	
At 31st March 2000 and 30th September 2000	3,000,000	300,000

	<b>Issued and fully paid (Ordinary shares of HK\$0.1 each) No. of shares      HK\$_000 (Thousands)</b>	
At 31st March 2000 and 30th September 2000	257,042	25,704

In August 2000, the board of directors of the Company proposed a bonus issue on a basis of two bonus shares, credited as fully paid by way of capitalisation, for every one existing share held by shareholders on 28th September 2000, subject to the following conditions:

- (i) the approval by the shareholders at the Annual General Meeting held on 28th September 2000;
- (ii) the Listing Committee of the Hong Kong Stock Exchange granting the listing of and permission to deal in the bonus shares and
- (iii) (if required) the Bermuda Monetary Authority granting permission for the issue and transfer of the bonus

shares.

The bonus issue became unconditional in 13th October 2000 and 514,082,800 new shares were issued by capitalising HK\$51,408,000 through a debit to the share premium account of the Company. The bonus shares ranked pari passu in all respects with the existing issued shares of the Company.

## 9 Share capital (*cont\_d*)

In relation to the bonus issue, the exercise price of the outstanding share options of the Company granted on 28th January 2000 was also adjusted from HK\$3.38 to HK\$1.1267 per share and the total number of outstanding share options increased from 20,000,000 to 60,000,000.

## 10 Reserves

	Share premium <i>HK\$_000</i>	Contri- buted surplus <i>HK\$_000</i>	Exchange difference <i>HK\$_000</i>	Investment properties revaluation reserve <i>HK\$_000</i>	Other properties revaluation reserve <i>HK\$_000</i>	Accumu- lated losses <i>HK\$_000</i>	Total <i>HK\$_000</i>
At 1st April 2000	274,303	118,620	(306)	4,583	3,329	(48,088)	352,441
Profit for the period	–	–	–	–	–	3,373	1,810
At 30th September 2000	274,303	118,620	(306)	4,583	3,329	(44,715)	355,814
At 1st April 1999	146,334	128,545	(306)	5,541	–	(66,183)	213,931
Share premium on issue of shares, net of issuing expenses	48,791	–	–	–	–	–	48,791
Loss for the period	–	–	–	–	–	(2,819)	(2,819)
At 30th September 1999	195,125	128,545	(306)	5,541	–	(69,002)	259,903

## 11 Capital and financial commitments

As at 30th September 2000, the Group had capital and financial commitments not provided for in these financial statements as follows:

	Unaudited 30th September 2000 <i>HK\$_000</i>	31st March 2000 <i>HK\$_000</i>
(i) Capital commitment in respect of properties under development	39,216	58,800
(ii) Commitment in respect of the acquisition of additional interest		

in an associated company	–	2,000
(ii) Other commitments in respect of		
– film production	<b>19,540</b>	24,976
– film licensing agreements	<b>28,988</b>	31,401
	<b>48,528</b>	56,377

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHTS

	Unaudited		
	six months ended		
	30th September		
	2000	1999	Change
	HK\$ 000	HK\$ 000	
Turnover	109,422	90,659	+20.7%
Operating Profit/(Loss)	18,323	(996)	+HK\$19.3 M
Profit/(Loss) Attributable to Shareholders	3,373	(2,819)	+HK\$6.2 M
Basic Earnings/(Loss) per Share	1.31 cents	(1.59) cents	+2.90cents

#### Overview of the Group

Comparing with last period, total turnover has increased by 20.7% whereas turnover for film and program distribution in audio visual format has increased noticeably by 26.5% which was mainly attributed to the devoting efforts by the Hong Kong Government in fighting against piracy and also the result of Group's active additions of popular titles in our prolific film library with films and programs of blockbusters, TV series of Chinese famous readings, collections of well-known Japanese directors, documentary series of introducing Chinese custom and medicated meals, nature, animal and the famous Chinese historical person epic TV series.

While the turnover for film exhibition and film rights sub-licensing has slightly decreased by 2.6% in the period under review, income from provision of information technology and related services, website design and management services demonstrated a strong growth of 148% comparing with last period. This is the desirable result enjoyed by the Group since its wholly owned subsidiary Mei Ah Webcast International Corporation Limited, holding a Public Non-Exclusive Telecommunications Service (PNets) License from March 1996 onwards, providing network technology supportive services as well as technological consultancy to reputable local and overseas customers, has further accredited the ISO 9001 Certificate in May 2000 in recognition of its quality of services and standing in the industry.

Apart from the above, a net gain on dilution of interest in China 10K.com, an associated company which is engaged in the provision of internet content and e-commerce business, amounting to HK\$6,563,000, was recognised in the consolidated profit and loss account in the period under review. This gain on dilution arose upon the capital contributions to China 10K.com at premium by two independent investors which contributed a total consideration of cash of approximately HK\$24,500,000 and 20,330,000 shares of New World Cyberbase Limited, one of the independent investors of which shares are listed on the Hong Kong Stock Exchange.

With the Group's continuing efforts of effective cost control and improvement in turnover, the Group has turned last period operating loss of HK\$996,000 into current period operating profit of HK\$18,323,000 and Profit Attributable to Shareholders of HK\$3,373,000 after sharing of losses of associated companies (1999: Loss attributable to shareholders of HK\$2,819,000).

#### Prospects

The Group has long been a mainstay of the home entertainment industry, looked to by millions of Chinese for the films and tele-features we produce and distribute. We have been extraordinarily successful in our ventures, and can boast a film library of popular titles that is the most prolific of any in Hong Kong.

The Group's transformation and extension of business segment to the provision of information technology supportive services and technological consultancy services denoted the Group's wider sources of the income. Our major sharing of loss in an associated company – an Internet Content Provider (ICP) during the period has affected our result for the Profit attributable to Shareholders, nonetheless, the associated company has undergone a re-organization keeping its daily operating cost to the optimal and meanwhile actively seeking business pursuits to be an omni media in providing edutainment materials to various institutes in widening the business scope.

Year 2001 will be a new milestone for the Group when all our offices, warehouses and production facilities are moved into the Mei Ah Group Centre in Tseung Kwan O in the first half of 2001. Furthermore, we expect greater cost saving and efficiency when all facilities, offices and management are located under one roof and in turn improved profit margin.

Looking forward with the improvement of spending sentiment of consumer, the strong economic growth of Hong Kong in the last few quarters and the favorable factors that will be brought by China upon entering the World Trade Organization, the Group is optimistic about the future growth and the results in the coming year.

#### **Liquidity and Financial Resources**

The Group has banking facilities amounting to HK\$61,790,000 (31st March 2000: HK\$61,790,000) of which 65.5% (31st March 2000: 64.3%) has been utilized as at 30th September 2000 to finance its normal trading operations.

At 30th September 2000, the trade receivables amounting to HK\$30.7 million, represented a 76.4% increase as compared to the balance at 31st March 2000 due mainly to the seasonality of sales, whereas inventories decreased by 11% as compared to the balance at 31st March 2000 were primarily due to the Summer clearance sale and the Group's healthy stock control procedures.

At 30th September 2000, total secured long-term bank borrowings of the Group which are denominated in HK Dollars amounted to HK\$24.9 million (at 31st March 2000: HK\$24.6 million), out of which, HK\$16 million are repayable within one year, HK\$6.3 million in the second to the fifth years and the remainder after the fifth year following the period under review.

The Group's gearing ratio at the period end was 0.065 (at 31st March 2000: 0.065) which was calculated based on the total long-term bank loans of HK\$24.9 million (at 31st March 2000: HK\$24.6 million) and shareholders' funds of HK\$381.5 million (at 31st March 2000: HK\$378.1 million).

#### **Financial Risk Management**

In the normal course of business, the Group has no significant exposure to foreign exchange fluctuations as the Group's borrowings, turnover and purchases streams are primarily denominated in Hong Kong dollars.

Payment terms with customers are largely on credit. In order to minimize the credit risks associated with the trade

receivables, credit evaluations of debtors are performed periodically and in some instances, where appropriate, corporate or personal guarantee is obtained. The bad debt has been insignificant.

### **Material Investment of the Group**

During the six months ended 30th September 2000, the Group invested HK\$35.5 million in fixed assets. The expenditure in the period was mainly spent in the construction of the Group's headquarter and factory in Tseung Kwan O, namely the Mei Ah Group Centre. The Group's projected expenditure for the remainder of the year is about HK\$30 million, which is mainly for the final completion of the superstructure of the Mei Ah Group Centre and the fitting out works. This will be financed partly by internal resources and partly by long-term bank borrowings at Hong Kong prime rate that the Group had recently arranged with the bankers.

### **Changes in the Composition of the Enterprise during the Interim Period**

As mentioned in the section Overview of the Group above, the Group's equity interest in China10K.com was diluted from 45% as at 31st March 2000 to 41% as at 30th September 2000. A net gain on dilution of interest in China 10K.com amounting to HK\$6,563,000, was recognised in the consolidated profit and loss account in the period under review. This gain on dilution arose upon the capital contributions to China 10K.com at premium by two independent investors which contributed a total consideration of cash of approximately HK\$24,500,000 and 20,330,000 shares of New World Cyberbase Limited, one of the independent investors of which shares are listed on the Hong Kong Stock Exchange.

### **Number and Remuneration of Employees**

Including the directors of the Group, as at 30th September 2000, the Group employed a total of 99 (30th September 1999: 75) full-time employees. Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to the basic salaries, the Group also provides staff benefits including discretionary bonus, medical insurance scheme and contributory provident fund.

### **Details of the Charges on Group Assets**

Banking facilities granted by banks to the Group are secured by the following:

- (a) legal charges over certain properties and plant and machinery held by the Group with an aggregate carrying value of HK\$32,033,000 (31st March 2000: HK\$32,167,000) and HK\$16,280,000 (31st March 2000: HK\$19,252,000).
- (b) charges over bank balances of the Group amounted to HK\$ nil (31st March 2000: HK\$14,000,000); and
- (c) corporate guarantees executed by the Company.

## **OTHER DISCLOSURES**

### **Interim Dividend**

The directors do not recommend the payment of an interim dividend.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 September 2000, the interests of the directors, chief executives and their associates in the shares and share options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ( "SDI Ordinance" )), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

### (a) Ordinary shares of HK\$0.1 each

Name of director	Number of shares beneficially held		
	Personal interest	Family interest	Corporate interest
Mr LI Kuo Hsing	3,312,500	12,656,250 <i>Note (a)</i>	115,975,170 <i>Note (b)</i>
Mr TONG Hing Chi	1,125,000		
Mr CHAN Ngan Piu	675,000		
Mr CHAU Kei Leung	2,043,000		

*Notes:*

- (a) These shares are held by Mrs LI Pik Lin, the spouse of Mr LI Kuo Hsing.
- (b) These shares are held by Kuo Hsing Holdings Limited, a company beneficially owned by Mr LI Kuo Hsing.

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

	Number of shares beneficially held
Mei Ah Laser Disc Company Limited	100,000
Mei Ah Video Production Company Limited	10,000
Mei Ah Investment Company Limited	500,000

Save as aforesaid, none of the directors and chief executives (including their spouse and children under 18 years of age) had any other interests in the shares in the Company and its associated corporations (within the meaning of the SDI Ordinance) which had been entered in the register kept by the Company pursuant to Section 29 of the SDI Ordinance.

### (b) Share options

On 24th September 1993, a share option scheme (the "Share Option Scheme") was approved by the shareholders of the Company under which its directors may, at their discretion, invite employees of the group including any executive directors to take up options (the "Share Options") to subscribe for ordinary shares of HK\$0.1 each in the Company subject to the terms and conditions stipulated therein.



On 28th January 2000, the Company granted Share Options to the following directors to acquire shares of HK\$0.1 each in the Company at an exercise price of HK\$3.38 per share\*:

<b>Name of Director</b>	<b>*Number of Share Options granted before Bonus issue</b>
Mr LI Kuo Hsing	5,000,000
Mr TONG Hing Chi	4,500,000
Mr CHAU Kei Leung	4,500,000

The Share Options are exercisable from 19th August 2000 to 18th August 2002.

Apart from the above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the directors and chief executives (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

*\*Remarks:* On 13th October 2000, the date that the bonus issue became unconditional, both the exercise price and the share options granted were adjusted in the manner as disclosed in note 9 to the Condensed Interim Financial Statements.

#### **SUBSTANTIAL SHAREHOLDERS**

At 30th September 2000 the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interest, being 10% or more of the Company's issued share capital, other than those of the directors, chief executives and their associates as disclosed above.

#### **CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th September 2000, except that the non-executive directors are not appointed for a specific term. The non-executive directors are subjected to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

#### **AUDIT COMMITTEE**

An Audit Committee has been established on 8th December 1999 to act in an advisory capacity and make recommendations to the Board of Directors. Its members currently included the two independent non-executive directors, namely Mr LEE Man Kwong and Mr CHEUNG Kung Tai.

The Audit Committee has reviewed with management the accounting principles and practices adapted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th September 2000.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

On 11th April 2000, the Company's wholly-owned subsidiary Mei Ah Investment Company Limited ( MAI ) purchased 41,400 shares of HK\$0.1 each of the Company on the Stock Exchange of Hong Kong Limited at HK\$2 per share. The total consideration paid for the purchase of shares by MAI, including stamp duty and brokerage of HK\$310.11, was HK\$83,110.11.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

By the Order of the Board

**Li Kuo Hsing**

*Chairman*

Hong Kong, 28th December 2000