



INTERIM REPORT
2005/06



美亞娛樂資訊集團有限公司
MEI AH ENTERTAINMENT GROUP LTD.



The directors present the Interim Report and condensed consolidated financial information of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2005. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th September 2005, and the consolidated balance sheet of the Group as at 30th September 2005, all of which are unaudited and condensed, along with selected explanatory notes, are set out as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September 2005

	Note	Unaudited Six months ended 30th September	
		2005 HK\$'000	2004 HK\$'000
Turnover	2	78,973	71,093
Cost of sales		(54,149)	(58,295)
Gross profit		24,824	12,798
Other revenues		5,249	3,604
Gain on disposal of interest in an associated company	3(a)	—	15,707
Selling and marketing expenses		(6,575)	(4,904)
Administrative and other expenses		(12,159)	(14,018)
Operating profit	3	11,339	13,187
Finance costs		(1,361)	(1,720)
Share of loss of a jointly controlled entity		(111)	(65)
Share of profits less losses of associated companies		299	(1,314)
Profit before taxation		10,166	10,088
Minority interests		(45)	(5)
Profit attributable to shareholders		10,121	10,083
Basic earnings per share	6	1.31 cents	1.31 cents

**CONDENSED CONSOLIDATED BALANCE SHEETS***As at 30th September 2005 and 31st March 2005*

	<i>Notes</i>	Unaudited 30th September 2005 HK\$'000	Audited and restated 31st March 2005 HK\$'000
Fixed assets		161,153	162,485
Leasehold land and land use rights	7	13,077	13,238
Interest in a jointly controlled entity		—	—
Associated companies		31,177	42,052
Available-for-sale financial assets		4,366	3,343
Film rights, films in progress, film sub-licensing rights and deposits	7	60,216	40,512
Current assets			
Inventories		8,194	8,295
Accounts receivable	8	29,337	30,479
Prepayments, deposits and other receivables		20,843	4,295
Bank balances and cash		16,747	16,724
		75,121	59,793
Current liabilities			
Accounts payable	9	11,186	16,931
Receipts in advance and accruals		62,480	40,100
Bills payable		2,472	2,369
Bank loans, secured	10 (a)	14,594	13,665
Bank loans, unsecured		2,800	2,800
Obligations under finance leases	10 (b)	188	337
Bank overdrafts, secured		3,270	4,257
		96,990	80,459
Net current liabilities		(21,869)	(20,666)
Total assets less current liabilities		248,120	240,964
Financed by:			
Share capital	11	77,100	77,100
Reserves		153,125	143,004
Shareholders' funds		230,225	220,104
Minority interests		(88)	(131)
Non-current liabilities			
Deferred tax liabilities		285	285
Other long-term liabilities	10	17,698	20,706
		248,120	240,964



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2005

	Unaudited	
	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Net cash inflow from operating activities	53,161	37,456
Net cash outflow from investing activities	(48,672)	(16,284)
Net cash inflow before financing activities	4,489	21,172
Net cash outflow from financing activities	(3,479)	(3,334)
Increase in cash and cash equivalents	1,010	17,838
Cash and cash equivalents at the beginning of the period	9,667	(7,835)
Cash and cash equivalents at the end of the period	<u>10,677</u>	<u>10,003</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	16,747	16,132
Bank loans, unsecured	(2,800)	—
Bank overdrafts	(3,270)	(6,129)
	<u>10,677</u>	<u>10,003</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30th September 2005*

	Unaudited Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000
Share capital		
At the beginning and the end of the period	<u>77,100</u>	<u>77,100</u>
Share premium		
At the beginning of the period	222,791	222,791
Transfer to contributed surplus	<u>(222,791)</u>	<u>—</u>
At the end of the period	<u>—</u>	<u>222,791</u>
Share redemption reserve		
At the beginning and the end of the period	<u>12</u>	<u>12</u>
Contributed surplus		
At the beginning of the period	128,545	128,418
Transfer from share premium	222,791	—
Set off against accumulated losses	<u>(244,237)</u>	<u>—</u>
At the end of the period	<u>107,099</u>	<u>128,418</u>
Exchange difference		
At the beginning and the end of the period	<u>(306)</u>	<u>(306)</u>
Investment properties revaluation reserve		
At the beginning of the period, as previously reported	16,061	1,911
Opening adjustment for the adoption of HKSA 40	<u>(16,061)</u>	<u>—</u>
At the beginning of the period, as restated and the end of the period	<u>—</u>	<u>1,911</u>
Retained earnings/(accumulated losses)		
At the beginning of the period, as previously reported	(224,099)	(194,999)
Opening adjustment for the adoption of HKSA 40	<u>16,061</u>	<u>—</u>
At the beginning of the period, as restated	<u>(208,038)</u>	<u>(194,999)</u>
Transfer from contributed surplus	244,237	—
Profit for the period	<u>10,121</u>	<u>10,083</u>
At the end of the period	<u>46,320</u>	<u>(184,916)</u>
Shareholders' funds	<u>230,225</u>	<u>245,010</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

This unaudited condensed consolidated interim accounts has been prepared in accordance with Hong Kong Accounting Statement (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st March 2005 except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (new “HKFRS”) which are effective for accounting periods commencing on or after 1st January 2005. This interim financial information has also been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information.

Following the adoption of those new HKFRS which are relevant to the Group’s operations, the significant changes to the Group’s accounting policies and the effect of which are set out below:

- (a) HKAS 17 – the adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from fixed assets to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights was accounted for at fair value less accumulated depreciation and accumulation impairment. As a result of the adoption, the net book value of leasehold land and land use rights as at 1st April 2005 amounting to HK\$13,238,000 was reclassified from fixed assets to leasehold land and land use rights.



- (b) HKASs 32 and 39 — the adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the recognition of the Group's investments in securities, other than subsidiaries, associates and jointly controlled entities, as available-for-sale financial assets at fair values. Gains and losses arising from changes in fair values of available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses, shall be recognized directly in equity until the financial assets are derecognised, at which time the accumulated gains or losses previously recognized in equity shall be recognized in profit and loss. In prior years, those investments were classified as investment securities and were stated at cost less any provision for impairment losses. There is no significant effect to the Group's results from the adoption of those standards.

- (c) HKAS 40 — the adoption of HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of investment properties are recorded in the income statement as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement. As a result of the adoption, investment properties revaluation reserve as at 1st April 2005 amounting to HK\$16,061,000 was transferred to retained earnings.

- (d) HKFRS3, HKASs 36 and 38 — the adoption of these standards has resulted in a change in the accounting policy for goodwill. Until 31st December 2004, goodwill was amortised on a straight line basis over the estimated useful life and assessed for an indication of impairment at each balance sheet date. From the year ending 31st March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment. There is no significant effect to the Group's results from the adoption of those standards.



2. Segment information

The Group is principally engaged in the television operations, film exhibition, film rights licensing and sub-licensing, sale and distribution of films and programs, and processing of audio visual products through its associated companies.

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

	Unaudited					Group HK\$'000
	Six months ended 30th September 2005					
	Television operations HK\$'000	Film exhibition and film rights licensing and sub-licensing HK\$'000	Sale and distribution of films and programs in audio visual product format HK\$'000	Processing of audio visual products HK\$'000	Elimination HK\$'000	
External sales	29,365	23,297	26,311	–	–	78,973
Inter-segment sales	–	2,700	–	–	(2,700)	–
	<u>29,365</u>	<u>25,997</u>	<u>26,311</u>	<u>–</u>	<u>(2,700)</u>	<u>78,973</u>
Segment results	<u>9,201</u>	<u>2,118</u>	<u>(784)</u>	<u>–</u>	<u>1,089</u>	11,624
Unallocated income						4,706
Unallocated costs						(4,991)
Operating profit						11,339
Finance costs						(1,361)
Share of profits/(losses) of:						
Jointly controlled entity	–	–	(111)	–	–	(111)
Associated companies	–	1,303	(105)	(899)	–	299
Profit before minority interests						10,166
Minority interests						(45)
Profit attributable to shareholders						<u>10,121</u>
Capital expenditure	15,407	29,815	7,691	–	(2,630)	50,283
Unallocated capital expenditure						239
						<u>50,522</u>
Depreciation	42	21	337	–	–	400
Unallocated depreciation						1,921
						<u>2,321</u>
Amortisation charge	7,801	13,637	12,180	–	(3,789)	<u>29,829</u>

Unaudited
Six months ended 30th September 2004

	Television operations HK\$'000	Film exhibition and film rights licensing and sub-licensing HK\$'000	Sale and distribution of films and programs in audio visual product format HK\$'000	Processing of audio visual products HK\$'000	Group HK\$'000
Revenues	<u>13,478</u>	<u>15,573</u>	<u>42,042</u>	<u>—</u>	<u>71,093</u>
Segment results	<u>6,327</u>	<u>4,167</u>	<u>(13,502)</u>	<u>—</u>	<u>(3,008)</u>
Unallocated income					17,612
Unallocated costs					<u>(1,417)</u>
Operating profit					13,187
Finance costs					(1,720)
Share of profits/(losses) of:					
Jointly controlled entity	—	—	(65)	—	(65)
Associated companies	—	(2,798)	—	1,484	<u>(1,314)</u>
Profit before minority interests					10,088
Minority interests					<u>(5)</u>
Profit attributable to shareholders					<u>10,083</u>
Capital expenditure	5,527	8,049	18,275	—	31,851
Unallocated capital expenditure					<u>1,572</u>
					<u>33,423</u>
Depreciation	34	20	552	—	606
Unallocated depreciation					<u>1,935</u>
					<u>2,541</u>
Amortisation charge	2,302	4,722	25,815	—	<u>32,839</u>



Unaudited
As at 30th September 2005

	Television operations <i>HK\$'000</i>	Film exhibition and film rights licensing and sub-licensing <i>HK\$'000</i>	Sale and distribution of films and programs in audio visual product format <i>HK\$'000</i>	Processing of audio visual products <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment assets	28,182	43,074	62,547	–	(7,244)	126,559
Investment in a jointly controlled entity	–	–	–	–	–	–
Investments in associated companies	–	–	–	31,177	–	31,177
Unallocated assets						<u>187,374</u>
Total assets						<u>345,110</u>
Segment liabilities	(26,691)	(41,796)	(23,536)	–	–	(92,023)
Unallocated liabilities						<u>(22,950)</u>
Total liabilities						<u>(114,973)</u>
Minority interests						<u>88</u>
Net assets						<u>230,225</u>

Audited
As at 31st March 2005

	Television operations HK\$'000	Film exhibition and film rights licensing and sub-licensing HK\$'000	Sale and distribution of films and programs in audio visual product format HK\$'000	Processing of audio visual products HK\$'000	Elimination HK\$'000	Group HK\$'000
Segment assets	24,121	22,020	49,300	—	(8,333)	87,108
Investment in a jointly controlled entity	—	—	—	—	—	—
Investments in associated companies	—	(3,728)	—	45,780	—	42,052
Unallocated assets						<u>192,263</u>
Total assets						<u>321,423</u>
Segment liabilities	(9,681)	(22,282)	(32,665)	—	—	(64,628)
Unallocated liabilities						<u>(36,822)</u>
Total liabilities						<u>(101,450)</u>
Minority interests						<u>131</u>
Net assets						<u>220,104</u>

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



3. Operating profit

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Crediting		
Dividend income from available-for-sale financial assets	71	—
Gain on disposal of interest in an associated company (note 3(a))	—	15,707
	<u> </u>	<u> </u>
Charging		
Amortisation of film rights	29,829	32,839
Depreciation of fixed assets	2,321	2,541
Cost of goods sold	23,117	45,121
	<u> </u>	<u> </u>

- (a) During the six months ended 30th September 2004, the Group entered into an agreement to place its entire interest of China Chief Cable TV Group Limited (formerly known as M21 Technology Limited) and generated a profit of HK\$15,707,000.

4. Staff costs

	Unaudited Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Wages and salaries	4,788	5,937
Pension costs — defined contribution plans	131	193
	<u> </u>	<u> </u>
	<u>4,919</u>	<u>6,130</u>

5. Taxation

No provision for Hong Kong and overseas profits tax has been made as the Group had no estimated assessable profit during the period.

The Group's jointly controlled entity in the People's Republic of China excluding Hong Kong ("China") did not have any assessable income for the year for the PRC tax purposes and accordingly no provision for China taxation has been made in the accounts.

**6. Earnings per share**

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$10,121,000 (2004: HK\$10,083,000) and on the weighted average of 771,000,000 (2004: 771,000,000) shares in issue during the period.

Diluted earnings per share is not disclosed as there were no dilutive potential ordinary shares as at 30th September 2005 and 2004.

7. Capital expenditure

	Unaudited			
	Six months ended			
	2005		2004	
	Film rights, films in progress, film sub-licensing rights and deposits HK\$'000	Fixed assets HK\$'000	Film rights, films in progress, film sub-licensing rights and deposits HK\$'000	Fixed assets HK\$'000
Opening net book amount	40,512	162,485	35,649	163,033
Additions	49,533	989	31,390	2,033
Amortisation/depreciation charge	(29,829)	(2,321)	(32,839)	(2,541)
Closing net book amount	<u>60,216</u>	<u>161,153</u>	<u>34,200</u>	<u>162,525</u>



8. Accounts receivable

The ageing analysis of accounts receivable is as follows:

	Unaudited 30th September 2005 HK\$'000	Audited 31st March 2005 HK\$'000
Current to 3 months	10,112	15,463
4 to 6 months	3,006	6,966
Over 6 months	<u>20,033</u>	<u>12,229</u>
	33,151	34,658
Less: provision for doubtful debts	<u>(3,814)</u>	<u>(4,179)</u>
	<u><u>29,337</u></u>	<u><u>30,479</u></u>

The Group's credit term to accounts receivable generally ranges from 7 to 90 days.

9. Accounts payable

The ageing analysis of accounts payable is as follows:

	Unaudited 30th September 2005 HK\$'000	Audited 31st March 2005 HK\$'000
Current to 3 months	3,528	9,749
4 to 6 months	3,647	595
Over 6 months	<u>4,011</u>	<u>6,587</u>
	11,186	16,931

10. Long term liabilities

	Unaudited 30th September 2005 HK\$'000	Audited 31st March 2005 HK\$'000
Bank loans — secured (note (a))	32,254	34,351
Obligations under finance leases (note (b))	<u>226</u>	<u>357</u>
	32,480	34,708
Current portion of long-term liabilities	<u>(14,782)</u>	<u>(14,002)</u>
	<u><u>17,698</u></u>	<u><u>20,706</u></u>



- (a) Bank loans secured by the Group's certain of the Group's properties, are repayable in the following periods:

	Unaudited 30th September 2005 HK\$'000	Audited 31st March 2005 HK\$'000
Within one year	14,594	13,665
In the second year	5,172	5,757
In the third to fifth year	10,645	13,070
After the fifth year	1,843	1,859
	17,660	20,686
	32,254	34,351

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

	Unaudited 30th September 2005 HK\$'000	Audited 31st March 2005 HK\$'000
Within one year	200	359
In the second year	30	21
In the third to fifth year	12	—
	242	380
Future finance charges on finance leases	(16)	(23)
Present value of finance lease liabilities	226	357

The present value of finance lease liabilities is as follows:

Within one year	188	337
In the second year	27	20
In the third to fifth year	11	—
	226	357



11. Share capital

	Unaudited 30th September 2005 HK\$'000	Audited 31st March 2005 HK\$'000
<i>Authorised</i> 3,000,000,000 ordinary shares of HK\$0.1 each	<u>300,000</u>	<u>300,000</u>
<i>Issued and fully paid</i> 771,000,000 ordinary shares of HK\$0.1 each	<u>77,100</u>	<u>77,100</u>

12. Contingent liabilities

	Group		Company	
	Unaudited 30th September 2005 HK\$'000	Audited 31st March 2005 HK\$'000	Unaudited 30th September 2005 HK\$'000	Audited 31st March 2005 HK\$'000
Guarantee given to banks in respect of banking facilities to the extent of:				
Subsidiaries	—	—	66,730	64,144
Associated companies	—	5,250	—	5,250
	<u>—</u>	<u>5,250</u>	<u>66,730</u>	<u>69,394</u>

13. Commitments

As at 30th September 2005, the Group had commitments contracted but not provided for in these financial statements in respect of film production and licensing agreements amounting to approximately HK\$13,275,000 (31st March 2005: HK\$16,677,000).

**14. Related party transactions**

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Unaudited Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000
Replication fees paid to an associated company	10,067	8,690
Rental income and management fees from associated companies	2,413	978
Commission paid to an associated company	2,060	—
Payout service fees to an associated company	—	606
Pre-mastering services fee and post-production services fee to an associated company	—	416

The above transactions were conducted in the normal course of business and in accordance with the terms of the underlying agreements.



INTERIM DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September 2005, the Group recorded an unaudited consolidated turnover of HK\$78,973,000 (2004: HK\$71,093,000), an increase of 11% compared with the same period last year. Profit attributable to shareholders was increased from HK\$10,083,000 to HK\$10,121,000. Excluding the exceptional gain on disposal of interest in China Chief Cable TV Group Limited (formerly known as M21 Technology Limited), a former associated company during the six months ended 30th September 2004 of HK\$15,707,000, there was a net loss arising from the ordinary activities of HK\$5,624,000 in the prior period and accordingly a great improvement was demonstrated on the performance from the Group's ordinary activities.

Following the conclusion of content supply contracts with pay TV operators in the recent years, the contribution of revenues from the Group's television segment was increased from HK\$13,478,000 to HK\$29,365,000. The proportion of such revenues to the Group's total revenues was also increased from 19% to 37%. Since the launch of its first broadcasting channel in 2001, which provides movies from the Group's film library and other programs from its business partners, the Group has continuously explored various sources of revenue streams from its television operations. In 2004, the Group secured contracts with the operators of HK Broadband to provide movie channels and now TV to provide a drama channel. In September 2005, two additional channels, the movie channels in now TV and Malaysia MiTV, were launched. In addition, contracts have also been secured with certain mobile phone operators to provide channel contents. Looking forward, the Group aims to provide channels to other Asian countries and secure advertising income from available air-time in TV channels, and develop channels with increasing varieties.

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. Following the increasing popularity of pay TV in Hong Kong and digitalisation plan of TV signal in Hong Kong



and China which allows more broadcasting channels than the existing analogue system, the demand for TV channel contents is expected to increase significantly and the Group believes that it will receive fruitful and encouraging rewards from these new market opportunities and enjoy the prospectus of its television operations.

In order to support its content requirement, the Group has allocated an increased amount of resources in the production of films. During the six months ended 30th September 2005, "Colour of the Loyalty", "Dragon Reloaded 2" and "Embrace Your Shadow" were released by the Group. Turnover from the segment of film exhibition and film rights licensing and sub-licensing was increased from HK\$15,573,000 to HK\$23,297,000. All of the released films received appreciable performances and responses from the market. In November 2005, "Dragon Squad", the Group's multinational production which is starred and produced by a number of international actors, actresses and producers from different countries, was released globally. "Dragon Squad" was the first and the only movie elected by the National Museum of China for its permanent preservation in respect of the memorisation of the 100th anniversary of the Chinese film. Looking forward, the Group will continue to invest and offer its utmost support in Hong Kong's film production industry and aims to produce high quality and welcoming films.

The revenues attributable to sale and distribution of films and programs in audio visual product format was dropped from HK\$42,042,000 to HK\$26,311,000, as a result of the Group's strategy in diversifying its revenue mix and re-allocation of the Group's resources, as well as the effect of the relevant industrial environment.

The performance of the segment of video sales and distribution has been affected by the overall industrial climate. Less number of new titles were released during the period and the competition is keen. Following the increasing popularity of copyright infringement behaviour such as downloading through internet, copying through re-writable disc drives and shops which offer rental of video discs to customers, the business of sale and distributions of video discs is becoming difficult. Nevertheless, the Group will continue to acquire customised and popular films and diversify its distribution channels in order to maintain its competitiveness. In order to simplify the organisational structure and enhance operating efficiency, the Group has also appointed a distribution agent to handle the logistic procedures in respect of the distribution segment which led to a decrease in the Group's administrative and other expenses.



The Group's working capital and gearing position (details as set out in the paragraph headed "Liquidity and financial resources" below) has also been improved continuously following the repayment of loans raised during the construction of its head quarter in Tseung Kwan O. Looking forward, the Group will exploit every opportunities to generate greatest returns for its shareholders and reward their long-term support.

Liquidity and financial resources

At 30th September 2005, the Group has available banking facilities of approximately HK\$57 million, of which approximately HK\$41 million were utilised. Certain of the Group's properties with net book values of HK\$154 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 17% as at 30th September 2005 was based on the total of bank loans, overdrafts and obligations under finance leases of approximately HK\$38,550,000 (of which HK\$20,852,000, HK\$5,199,000, HK\$10,656,000 and HK\$1,843,000 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\$230,225,000. 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.

At 30th September 2005, the Company had guarantees amounting to approximately HK\$66,730,000 given to banks in respect of banking facilities granted to its subsidiaries. At 30th September 2005, the Group had commitments contracted but not provided for in these financial information in respect of film production and licencing agreements amounting to approximately HK\$13,275,000. The commitments will be financed by the Group's internal resources and banking facilities.

Employees

At 30th September 2005, the Group employed 48 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 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 2005.

No options has been granted under the share option scheme since its adoption.

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 2005, 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\$0.1 each in Mei Ah Entertainment Group Limited

Name of Director	Number of shares beneficially held		
	Personal interests	Family interests	Corporate interests
Mr. LI Kuo Hsing	27,489,500	37,968,750	412,509,510
		<i>Note (i)</i>	<i>Note (ii)</i>
Mr. TONG Hing Chi	3,375,000	—	—
Mr. CHAN Ngan Piu	2,025,000	—	—
Mr. CHAU Kei Leung	7,209,000	—	—

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

At 30th September 2005, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interest, being 5% or more of the Company's issued share capital, other than those of the directors and chief executives as disclosed above.

Pledge of shares by the controlling shareholder

At 30th September 2005, 30,000,000 ordinary shares of the Company held by Kuo Hsing Holdings Limited, the controlling shareholder of the Company, were pledged to a bank as one of the securities to the general banking facilities to the extent of approximately HK\$23 million granted to the Group.



Compliance with the Code of Corporate Governance Practices

During the six months ended 30th September 2005, the Group has complied with the code provisions set out in the Code of Corporate Governance Practices under Appendix 14 of the Listing Rules.

Compliance with the Model Code

During the six months ended 30th September 2005, 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 2005.

Audit committee

The Audit Committee has reviewed the interim results and report of the Group for the six months ended 30th September 2005.

On behalf of the Board
Li Kuo Hsing
Chairman

21st December 2005