

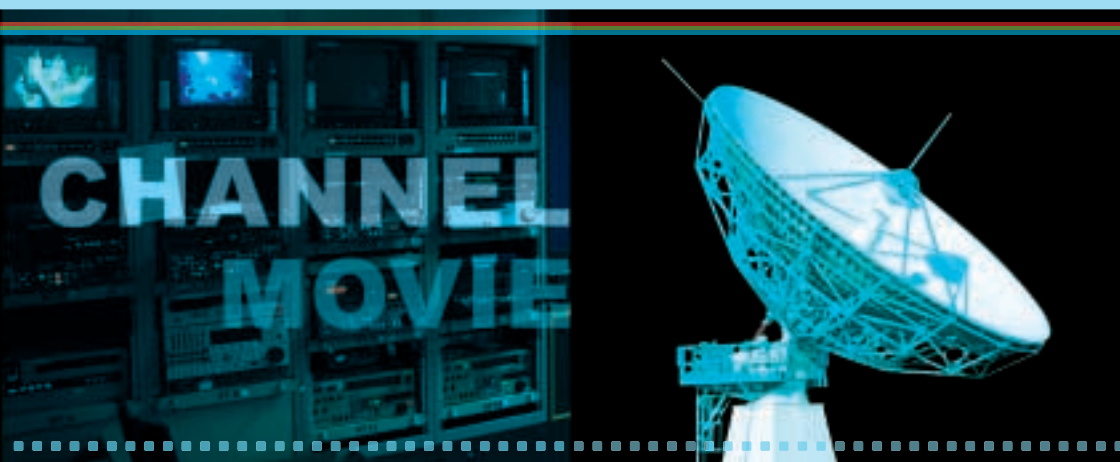


美亞娛樂資訊集團有限公司

MEI AH ENTERTAINMENT GROUP LTD.

INTERIM REPORT

2006/2007



STOCK CODE: 391

The directors present the condensed consolidated financial information of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2006. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th September 2006, and the consolidated interim balance sheet of the Group as at 30th September 2006, 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 2006

	Note	Unaudited Six months ended 30th September	
		2006 HK\$'000	2005 HK\$'000
Turnover	4	79,208	78,973
Cost of sales		(46,975)	(54,149)
Gross profit		32,233	24,824
Other revenues		4,945	5,249
Selling and marketing expenses		(8,425)	(6,575)
Administrative and other expenses		(14,191)	(12,159)
Operating profit	5	14,562	11,339
Finance costs		(2,697)	(1,361)
Share of loss of a jointly controlled entity		—	(111)
Share of profits less losses of associated companies		(546)	299
Profit for the period		11,319	10,166
Attributable to:			
Equity holders of the Company		11,281	10,121
Minority interests		38	45
		11,319	10,166
Earnings per share	8		
Basic		1.38 cents	1.31 cents
Diluted		1.38 cents	N/A

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30th September 2006 and 31st March 2006

		Unaudited 30th September 2006	Audited 31st March 2006
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		103,185	104,555
Investment properties		61,450	61,450
Leasehold land and land use rights		12,755	12,916
Interest in a jointly controlled entity		—	—
Interests in associate companies		24,327	24,419
Available-for-sale financial assets		3,546	4,687
Film rights, films in progress, film sub-licensing rights and deposits		78,035	73,564
Trade and other receivables -non-current portion	10	30,734	29,983
Current assets			
Inventories		6,641	7,420
Trade and other receivables	10	39,721	24,542
Bank balances and cash		64,296	17,595
		110,658	49,557
Total assets		424,690	361,131

		Unaudited 30th September 2006	Audited 31st March 2006
	Note	HK\$'000	HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	82,300	77,100
Reserves		183,266	161,103
Shareholders' funds		265,566	238,203
Minority interests		(4)	(42)
Total equity		265,562	238,161
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		4,554	4,554
Borrowings	12	—	15,212
Convertible notes	13	96,011	—
Obligation under finance leases	12	113	182
		100,678	19,948
Current liabilities			
Trade payables	11	7,260	8,888
Receipts in advance and accruals		50,041	63,963
Bills payable		1,011	3,867
Borrowings	12	—	26,147
Obligations under finance leases	12	138	157
		58,450	103,022
Total liabilities		159,128	122,970
Total equity and liabilities		424,690	361,131
Net current assets/(liabilities)		52,208	(53,465)
Total assets less current liabilities		366,240	258,109

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2006

	Attributable to shareholders									Total equity
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Exchange difference	Convertible notes-equity portion	Available-for-sale financial assets reserve	Retained earnings/(accumulated losses)	Minority interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2005	77,100	222,791	12	128,545	(306)	—	—	(210,780)	(131)	217,231
Profit for the period	—	—	—	—	—	—	—	10,121	45	10,166
At 30th September 2005	77,100	222,791	12	128,545	(306)	—	—	(200,659)	(86)	227,397
At 1st April 2006	77,100	—	12	107,099	(306)	—	463	53,835	(42)	238,161
Issue of ordinary shares, net of issuing expenses	5,200	11,156	—	—	—	—	—	—	—	16,356
Issue of convertible notes-equity portion	—	—	—	—	—	3,050	—	—	—	3,050
Final dividend for the year ended 31st March 2006 (note 9)	—	—	—	—	—	—	—	(2,881)	—	(2,881)
Revaluation deficit	—	—	—	—	—	—	(443)	—	—	(443)
Net income recognized directly in equity	5,200	11,156	—	—	—	3,050	(443)	(2,881)	—	16,082
Profit for the period	—	—	—	—	—	—	—	11,281	38	11,319
Total recognized income for the period	5,200	11,156	—	—	—	3,050	(443)	8,400	38	27,401
At 30th September 2006	82,300	11,156	12	107,099	(306)	3,050	20	62,235	(4)	265,562

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For The Six Months Ended 30th September 2006

	Unaudited	
	Six months ended	
	30th September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	9,977	53,161
Net cash outflow from investing activities	(63,306)	(48,672)
Net cash (outflow)/inflow before financing activities	(53,329)	4,489
Net cash inflow/(outflow) from financing activities	80,592	(3,479)
Increase in cash and cash equivalents	27,263	1,010
Cash and cash equivalents at the beginning of the period	7,033	9,667
Cash and cash equivalents at the end of the period	34,296	10,677
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	64,296	16,747
Less: pledged deposit	(30,000)	—
Bank loans, unsecured	—	(2,800)
Bank overdrafts	—	(3,270)
	34,296	10,677

SELECTED NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General information

Mei Ah Entertainment Group Limited (the “Company”) and its subsidiaries (together the “Group”) is principally engaged in television operations, film exhibition, film rights licensing and sub-licensing, sale and distribution of films and programs and processing of audio visual products through its associated company.

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 20th December 2006.

2. Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30th September 2006 has been prepared in accordance with HKAS 34, “Interim financial reporting”. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31st March 2006.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2006. Those new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 31st March 2007 have no material impact on the Group.

4. Segment information

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

	Unaudited Six months ended 30th September 2006					Group HK\$'000
	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	28,628	32,167	18,413	—	—	79,208
Inter-segment sales	—	4,271	—	—	(4,271)	—
	<u>28,628</u>	<u>36,438</u>	<u>18,413</u>	<u>—</u>	<u>(4,271)</u>	<u>79,208</u>
Segment results	<u>9,385</u>	<u>3,152</u>	<u>1,933</u>	<u>—</u>	<u>(831)</u>	<u>13,639</u>
Unallocated income						4,361
Unallocated costs						<u>(3,438)</u>
Operating profit						14,562
Finance costs						<u>(2,697)</u>
Share of profits/ (losses) of associated companies	—	—	—	(546)	—	<u>(546)</u>
Profit for the period						<u>11,319</u>
Property, plant and equipment						
— Additions	12	—	2	—	—	14
— Unallocated additions						<u>978</u>
						<u>992</u>
— Depreciation	237	23	192	—	—	452
— Unallocated depreciation						<u>1,910</u>
						<u>2,362</u>
Film rights, film sub-licensing rights and deposits						
— Additions	13,222	11,204	3,895	—	(4,271)	24,050
— Amortisation	6,140	13,356	3,523	—	(3,439)	<u>19,580</u>

	Unaudited Six months ended 30th September 2005					Group HK\$'000
	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>	<u>11,624</u>
Unallocated income						4,706
Unallocated costs						<u>(4,991)</u>
Operating profit						11,339
Finance costs						<u>(1,361)</u>
Share of profits/ (losses) of:						
Jointly controlled entity	—	—	(111)	—		(111)
Associated companies	—	1,303	(105)	(899)		<u>299</u>
Profit for the period						<u>10,166</u>
Property, plant and equipment						
— Additions	645	15	90	—	—	750
— Unallocated additions						<u>239</u>
						<u>989</u>
— Depreciation	42	21	337	—	—	400
— Unallocated depreciation						<u>1,921</u>
						<u>2,321</u>
Film rights, film sub-licensing rights and deposits						
— Additions	14,762	29,800	7,601	—	(2,630)	49,533
— Amortisation	7,801	13,637	12,180	—	(3,789)	<u>29,829</u>

	Unaudited					Group
	Television operations	Film exhibition and film rights licensing and sub-licensing	Sale and distribution of films and programs in audio visual product format	Processing of audio visual products	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment asset	36,930	60,173	115,810	—	(8,406)	204,507
Investment in a jointly controlled entity	—	—	—	—	—	—
Investments in associates	—	—	—	24,327	—	24,327
Unallocated assets						195,856
Total assets						424,690
Segment liabilities	(16,143)	(34,216)	(3,337)	—	—	(53,696)
Unallocated liabilities						(105,432)
Total liabilities						(159,128)
	Audited					Group
	Television operations	Film exhibition and film rights licensing and sub-licensing	Sale and distribution of films and programs in audio visual product format	Processing of audio visual products	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment asset	30,029	51,194	67,627	—	(7,620)	141,230
Investment in a jointly controlled entity	—	—	—	—	—	—
Investments in associates	—	—	—	24,419	—	24,419
Unallocated assets						195,482
Total assets						361,131
Segment liabilities	(27,756)	(44,377)	(23,099)	—	—	(95,232)
Unallocated liabilities						(27,738)
Total liabilities						(122,970)

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.

5. Operating profit

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30th September	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Crediting		
Dividend income from available-for-sale financial assets	60	71
Gain on disposal of available-for-sale financial assets	264	—
Charging		
Amortisation of film rights	19,580	29,829
Depreciation of fixed assets	2,362	2,321
Cost of goods sold	6,143	23,117

6. Staff costs

	Unaudited Six months ended 30th September	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Wages and salaries	6,272	4,788
Pension costs — defined contribution plans	174	131
	6,446	4,919

7. Taxation

No provision for Hong Kong profits tax and overseas taxation has been made for the period as the Group has available tax losses brought forward from prior years.

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

8. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$11,281,000 (2005: HK\$10,121,000) and on the weighted average of 819,874,317 (2005: 771,000,000) ordinary shares in issue during the period.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of the convertible notes (*note 13*) based on initial conversion price of HK\$0.44 per share, and net profit is adjusted to eliminate the interest and transaction expenses less the tax effect.

	Unaudited Six months ended 30th September 2006
	<i>HK\$'000</i>
Profit attributable to equity holders of the Company	11,281
Interest and transaction expenses (net of tax)	875
Profit used to determine diluted earnings per share	12,156
Weighted average number of ordinary shares in issue (thousands)	819,874
Adjustment for assumed conversion of convertible notes (thousands)	63,338
Weighted average number of ordinary shares for diluted earning per share (thousands)	883,212
Diluted earnings per share (HK cents per share)	1.38

Diluted earnings per share was not disclosed for the six months ended 30th September 2005 as there were no dilutive potential ordinary shares as at 30th September 2005.

9. Dividends

Final dividend for the year ended 31st March 2006 of HK\$0.0035 (2005: Nil) per share totally HK\$2,881,000 (2005: Nil) was paid in September 2006.

10. Trade and other receivables

	Unaudited 30th September 2006	Audited 31st March 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	28,642	27,467
Less: provision for impairment of receivables	(3,814)	(3,814)
Trade receivables-net	24,828	23,653
Prepayments, deposits and other receivables	45,627	30,872
	70,455	54,525
Less: non-current portion of		
— trade receivables	(14,789)	(16,190)
— prepayments, deposits and other receivables	(15,945)	(13,793)
	(30,734)	(29,983)
	39,721	24,542

The ageing analysis of trade receivables is as follows:

	Unaudited 30th September 2006	Audited 31st March 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	4,468	7,190
4 to 6 months	4,040	3,255
Over 6 months	20,134	17,022
	28,642	27,467

The Group's credit terms to trade receivables generally ranges from 7 to 90 days. Credit terms for certain customers may be extended to over 12 months, after careful consideration of the credit history, credit standing or security in place for these customers. Balances with credit terms of more than 12 months are classified and presented in the consolidated balance sheet under the non-current portion of the receivables.

11. Trade payables

The ageing analysis of trade payables is as follows:

	Unaudited 30th September 2006	Audited 31st March 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	4,355	5,817
4 to 6 months	1,197	678
Over 6 months	1,708	2,393
	7,260	8,888

12. Borrowings and obligations under finance leases

	Unaudited 30th September 2006	Audited 31st March 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts-secured	—	10,562
Bank loans		
— secured	—	27,997
— unsecured	—	2,800
	—	41,359
Obligations under finance leases	251	339
	251	41,698

- (a) All of the borrowings were repaid during the period. Borrowings as at 31st March 2006 were repayable in the following periods:

	Unaudited 30th September 2006	Audited 31st March 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	—	26,147
In the second year	—	5,338
In the third to fifth year	—	8,075
After the fifth year	—	1,799
	—	15,212
	—	41,359

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

	Unaudited 30th September 2006	Audited 31st March 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	150	171
In the second year	122	147
In the third to fifth year	—	50
	272	368
Future finance charges on finance leases	(21)	(29)
Present value of finance lease liabilities	251	339
The present value of finance lease liabilities is as follows:		
Within one year	138	157
In the second year	113	136
In the third to fifth year	—	46
	113	182
	251	339

13. Convertible notes

On 28th June 2006, the Company entered into three note subscription agreements with Hanny Holdings Limited and two other note subscribers, both being investment funds managed by the same investment manager, in relation to the subscription of convertible notes (the "Notes") in an aggregate principal amount of HK\$100 million. The initial conversion price, which is subject to anti-dilution adjustments in certain events and a reset mechanism as set out in the note subscription agreements, is HK\$0.44 per share. Upon full conversion of the Notes at the initial conversion price, an aggregate of 227,272,726 new ordinary shares of the Company will be issued and allotted to the holders of the Notes. The interest rate of the Notes is 4% per annum and payable semi-annually. The Notes will be matured at the third anniversary from the issue date. Other terms and conditions of the note subscription agreements are set out in the Company's announcement dated 29th June 2006 and circular dated 19th July 2006. The subscription agreements were completed and the Notes were issued on 11th August 2006.

The value of the liability component and the equity conversion component were determined at issuance of the Notes. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible borrowing. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in reserves.

The Notes recognized in the balance sheet is calculated as follows:

	Unaudited 30th September 2006
	<i>HK\$'000</i>
Fair value of the Notes issued on 11th August 2006	100,000
Transaction costs in relation to the issuance of the Notes	(1,999)
	98,001
Equity component	(3,050)
Liability component on initial recognition at 11th August 2006	94,951
Interest expenses	961
Transaction costs	99
	96,011
Liability component at 30th September 2006	96,011

The fair value of the liability component of the Notes at issuance amounted to HK\$96,888,000. The fair value is calculated using cash flow discounted at a rate based on the borrowing rate of 7%.

14. Share capital

	Number of ordinary shares		Ordinary shares	
	Unaudited 30th September 2006 <i>'000</i>	Audited 31st March 2006 <i>'000</i>	Unaudited 30th September 2006 <i>HK\$'000</i>	Audited 31st March 2006 <i>HK\$'000</i>
Authorised	3,000,000	3,000,000	300,000	300,000
Issued and fully paid				
At the beginning of the period	771,000	771,000	77,100	77,100
Issue of shares	52,000	—	5,200	—
At the end of the period	823,000	771,000	82,300	77,100

On 20th March 2006, the Company entered into a placing agreement with IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P. (collectively the "Placees"), pursuant to which the Company has conditionally agreed to place 52,000,000 placing shares to the Placees at a price of HK\$0.315 per placing share. On 12th April 2006, the placing agreement was completed and the said shares were allotted to the Placees.

15. Contingent liabilities

At 30th September 2006, the Company had contingent liabilities of guarantees given to banks in respect of banking facilities granted to subsidiaries to the extent of approximately HK\$23,794,000 (31st March 2006: HK\$64,375,000).

16. Commitments

As at 30th September 2006, the Group had commitments contracted but not provided for in these financial information in respect of film production and licensing agreements amounting to approximately HK\$7,256,000 (31st March 2006: HK\$12,830,000).

17. 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	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Replication fees paid to an associated company	5,358	10,067
Rental income and management fees from associated companies	702	2,413
Commission paid to an associated company	1,434	2,060

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

18. Events occurring after the balance sheet date

On 17th November 2006, the Group entered into a subscription agreement (the "Subscription Agreement") to subscribe 150,000,000 new shares of BIG Media Group Limited ("BIG"), a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, at a consideration of HK\$30,000,000. The Subscription Agreement is conditional upon certain conditions and immediately upon completion, the Group will hold approximately 46.15% of the issued share capital of BIG as enlarged under the Subscription Agreement and other subscription agreements. Details of the subscription has been set out in the Company's announcement dated 27th November 2006.

INTERIM DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended 30th September 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September 2006, the Group recorded an unaudited consolidated turnover of HK\$79,208,000 (2005: HK\$78,973,000), a slight increase compared with the same period last year. Profit attributable to equity holders of the Company was increased by 11% from HK\$10,121,000 to HK\$11,281,000.

The contribution of revenues from the Group's television segment was maintained at the level of approximately HK\$29 million, representing approximately 36% of the Group's turnover. 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. As at 30th September 2006, the Group provided channels to now TV, i-Cable and Malaysia. The Group has also commenced to provide contents to a Japanese pay TV platform since May 2006. In November 2006, the Group also secured a contract to provide a movie channel to a TV platform in Singapore. 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 those TV channels, and develop channels with increasing varieties.

The Group will continue to strengthen its film library through acquisition, own production and co-production. Equipped by the Group's film library and through the Group's experience and network in program sourcing, the Group is confident that it will continue to provide high quality and customised TV programs to its audiences. The Group also believes that its television segment has huge potential of growth and will continue to bring significant and increasing contribution to the Group. 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 2006, "Marriage with a Fool", "Undercover Hidden Dragon", "Love Undercover 3" and "Men Suddenly in Black 2" were released by the Group. Turnover from the segment of film exhibition and film rights licensing and sub-licensing was increased by 40% from HK\$25,997,000 to HK\$36,438,000. All of these films received positive responses from the market. Looking forward, the Group will continue to invest and support in Hong Kong's film production industry and aims to produce high quality and popular films.

The revenues attributable to sale and distribution of films and programs in audio visual product format was dropped by 30% from HK\$26,311,000 to HK\$18,413,000, as a result of the Group's re-allocation of resources and 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. Fewer new titles were released during the period and the competition is still 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 has become difficult. Nevertheless, the Group will continue to acquire customised and popular films and diversify its distribution channels in order to maintain its competitiveness.

To cope with the Group's business development and expansion, the Group has entered into certain fund raising activities during the period. In March 2006 the Company entered into placing agreements with funds managed by International Data Group, Inc. ("IDG"), a leading worldwide provider of information technology services to raise HK\$16.3 million for working capital. The agreement was completed and shares were allotted in April 2006. In June 2006 the Company also entered into agreements to issue convertible notes to three subscribers. The net proceeds from the issuance of convertible notes is approximately HK\$98 million. Certain of the proceeds were utilised in the repayment of bank borrowings and the remaining is proposed to be utilised in the acquisition of film titles, development of new media projects and enhancement of working capital. The Company believes that it will also be benefited from the broadened shareholders' base and its extended exposure to the global entertainment industry.

In November 2006, the Group entered into a subscription agreement (the "Subscription Agreement") to subscribe 150,000,000 new shares of BIG Media Group Limited ("BIG"), a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, at a consideration of HK\$30,000,000. The Subscription Agreement is conditional upon certain conditions and immediately upon completion, BIG will become the Group's associated company and the Group can then strengthen its production arm through BIG's professional production team to support its content requirement in respect of the Group's television, licensing and distribution operations.

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 2006, the Group has available banking facilities of approximately HK\$54 million, of which approximately HK\$1 million were utilised. Certain of the Group's deposits and properties with net book values of HK\$166 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 36% as at 30th September 2006 was based on the total of convertible notes-liability component (with maturity of 3 years) and obligations under finance leases (of which HK\$138,000 and HK\$113,000 are repayable within one year and in the second year respectively) of HK\$96,262,000 and the shareholders' funds of approximately HK\$265,566,000. The Group's borrowings and bank balances are primarily denominated in Hong Kong dollars and the Group has no significant exposure to foreign currency fluctuations.

Details of the Group's contingent liabilities and commitments have been set out in notes 15 and 16 to the condensed consolidated financial information. The commitments will be financed by the Group's internal resources and banking facilities.

Employees

At 30th September 2006, 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 2006.

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 2006, 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-long position			% of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	
Mr. LI Kuo Hsing	28,387,500	37,968,750 <i>Note (i)</i>	414,039,510 <i>Note (ii)</i>	58.37
Mr. TONG Hing Chi	3,375,000	—	—	0.41
Mr. CHAU Kei Leung	7,209,000	—	—	0.88
Mr. CHAN Ngan Piu	2,025,000	—	—	0.25

Notes:

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

(b) Interest in subsidiaries of the Company

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

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

With the exception of the interests disclosed above,

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

Substantial shareholders

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30th September 2006, 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.

(i) *Interests in ordinary shares of HK\$0.1 each in the Company*

Name	Number of shares — Long position		
	Corporate interests	Interests of persons acting in concert	Total
IDG-Accel China Growth Fund — A L.P.	8,190,000	43,810,000	52,000,000
IDG-Accel China Growth Fund — L.P.	40,076,400	11,923,600	52,000,000
IDG-Accel China Investors L.P.	3,733,600	48,266,400	52,000,000
IDG-Accel China Investors Associates Ltd.	52,000,000	—	52,000,000
IDG-Accel China Growth Fund Associates L.P.	52,000,000	—	52,000,000
IDG-Accel China Growth Fund GP Associates Ltd.	52,000,000	—	52,000,000
Zhou Quan	52,000,000	—	52,000,000
Mc Govern Patrick J.	52,000,000	—	52,000,000
Breyer Jim	52,000,000	—	52,000,000

Notes:

- The total long position interests in the above parties of 52,000,000 shares, representing 6.32% of the issued share capital of the Company, refer to the same parcel of shares.
- IDG-Accel China Investors L.P. is 100% controlled by IDG-Accel China Investors Associates Ltd. which is in turn 100% controlled by Breyer Jim.
- IDG-Accel China Growth Fund — A L.P. and IDG-Accel China Growth Fund — L.P. are 100% controlled by IDG-Accel China Growth Fund GP Associates Ltd.
- IDG-Accel China Growth Fund GP Associates Ltd. is 50% controlled by each of Zhou Quan and Mc Govern Patrick J.

(ii) Derivative interests in ordinary shares of HK\$0.1 each in the Company

Name	Number of shares-long position
Whole Good Limited	113,636,363
Hanny Magnetics (B.V.I.) Limited	113,636,363
Hanny Holdings Limited	113,636,363
Highbridge Capital Management LLC	113,636,364
Highbridge GP, Ltd	113,636,364
Austin Michael	113,636,364
Harris Clive	113,636,364

Notes:

- (a) The long position interests of Whole Good Limited, Hanny Magnetics (B.V.I.) Limited and Hanny Holdings Limited, representing 13.81% of the issued share capital of the Company, refer to the same parcel of shares. Whole Good Limited is 100% controlled by Hanny Magnetics (B.V.I.) Limited, which is in turn 100% controlled by Hanny Holdings Limited.
- (b) The long position interests of Highbridge Capital Management LLC, Highbridge GP, Ltd, Austin Michael and Harris Clive, representing 13.81% of the issued share capital of the Company, refer to the same parcel of shares.
- (c) Highbridge Master L.P. and Highbridge Asia Opportunities Master L.P., which owns 71,136,364 (representing 8.64% of the issued share capital of the Company) and 42,500,000 (representing 5.17% of the issued share capital of the Company) derivative interests of shares respectively, are 100% controlled by Highbridge GP, Ltd.
- (d) Highbridge GP, Ltd is accustomed to act in the directions of Highbridge Capital Management LLC.
- (e) Highbridge GP, Ltd is 50% controlled by Austin Michael and Harris Clive respectively.

Pledge of shares by the controlling shareholder

At 30th September 2006, 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 Group.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th September 2006, 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 2006, 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 2006.

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 2006.

On behalf of the Board

Li Kuo Hsing

Chairman

20th December 2006