



美亞娛樂資訊集團有限公司

MEI AH ENTERTAINMENT GROUP LTD.

(Stock Code : 391)



INTERIM REPORT 2007/08

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 2007. 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 2007, and the consolidated interim balance sheet of the Group as at 30th September 2007, 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 2007

		Unaudited Six months ended 30th September	
		2007	2006
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	44,466	79,208
Cost of sales		(23,190)	(46,975)
Gross profit		21,276	32,233
Other revenues		11,845	4,945
Selling and marketing expenses		(2,399)	(8,425)
Administrative and other expenses		(16,429)	(14,191)
Operating profit	5	14,293	14,562
Finance costs		(225)	(1,736)
Share of profits less losses of associated companies		(3,268)	(546)
Profit for the period before convertible notes and share-based payment		10,800	12,280
Fair value changes on revaluation of convertible notes	13	(135,503)	—
Interest accretion in respect of convertible notes	13	(5,349)	(961)
Share-based payment	14	(1,378)	—
		(142,230)	(961)
(Loss)/profit for the period		(131,430)	11,319
Attributable to:			
Equity holders of the Company		(131,450)	11,281
Minority interests		20	38
		(131,430)	11,319
(Loss)/earnings per share	8		
Basic		(14.32 cents)	1.38 cents
Diluted		1.03 cents	1.38 cents
Basic earnings per share before convertible notes and share-based payment		1.17 cents	1.49 cents

Condensed Consolidated Interim Balance Sheet

As at 30th September 2007 and 31st March 2007

		Unaudited 30th September 2007	Audited 31st March 2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		110,791	112,873
Investment properties		61,780	67,730
Leasehold land and land use rights		12,431	12,594
Interest in a jointly controlled entity		—	—
Interests in associated companies		46,442	55,794
Available-for-sale financial assets		—	6,202
Film rights, films in progress, film sub-licensing rights and deposits		87,315	73,372
Trade and other receivables-non-current portion	<i>10</i>	36,310	39,013
Current assets			
Inventories		6,531	6,968
Trade and other receivables	<i>10</i>	30,768	20,898
Financial assets at fair value through profit and loss		1,185	2,350
Pledged deposit		30,000	30,000
Bank balances and cash		21,869	17,140
		90,353	77,356
Total assets		445,422	444,934
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	<i>15</i>	98,209	82,300
Reserves		218,970	198,588
Shareholders' funds		317,179	280,888
Minority interests		32	12
Total equity		317,211	280,900

		Unaudited 30th September 2007	Audited 31st March 2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		6,731	6,731
Derivative financial instrument	13	38,107	28,459
Convertible notes-liability portion	13	20,107	62,771
Obligations under finance leases	12	1,037	1,650
		65,982	99,611
Current liabilities			
Trade payables	11	6,607	6,200
Receipts in advance and accruals		45,323	44,413
Bills payable		1,705	1,406
Borrowings	12	7,350	11,137
Obligations under finance leases	12	1,244	1,267
		62,229	64,423
Total liabilities		128,211	164,034
Total equity and liabilities		445,422	444,934
Net current assets		28,124	12,933
Total assets less current liabilities		383,193	380,511

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September 2007

	Attributable to shareholders									
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Exchange difference	Convertible notes-equity portion	Available-	Retained earnings/ (accumulated losses)	Minority interests	Total equity
							for-sale financial assets revaluation reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
The Group										
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
The Company										
At 1st April 2006	77,100	—	12	153,110	—	—	—	38,913	—	269,135
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)
Loss for the period	—	—	—	—	—	—	—	(1,573)	—	(1,573)
At 30th September 2006	82,300	11,156	12	153,110	—	3,050	—	34,459	—	284,087

	Attributable to shareholders										
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Exchange difference	Share-based payment	Available-for-sale financial assets revaluation reserve	Buildings revaluation reserve	Retained earnings/ (accumulated losses)	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group											
At 1st April 2007	82,300	11,156	12	107,099	(306)	—	930	6,809	72,888	12	280,900
Issue of ordinary shares upon conversion of convertible notes	15,909	156,413	—	—	—	—	—	—	—	—	172,322
Final dividend for the year ended 31st March 2007 (note 9)	—	—	—	—	—	—	—	—	(4,910)	—	(4,910)
Translation of foreign subsidiaries	—	—	—	—	(119)	—	—	—	—	—	(119)
Issue of share options	—	—	—	—	—	1,378	—	—	—	—	1,378
Released upon disposal	—	—	—	—	—	—	(930)	—	—	—	(930)
Net income recognized directly in equity	15,909	156,413	—	—	(119)	1,378	(930)	—	(4,910)	—	167,741
Loss for the period	—	—	—	—	—	—	—	—	(131,450)	20	(131,430)
Total recognized income for the period	15,909	156,413	—	—	(119)	1,378	(930)	—	(136,360)	20	36,311
At 30th September 2007	98,209	167,569	12	107,099	(425)	1,378	—	6,809	(63,472)	32	317,211
The Company											
At 1st April 2007	82,300	11,156	12	153,110	—	—	—	—	39,275	—	285,853
Issue of ordinary shares upon conversion of convertible notes	15,909	156,413	—	—	—	—	—	—	—	—	172,322
Final dividend for the year ended 31st March 2007 (note 9)	—	—	—	—	—	—	—	—	(4,910)	—	(4,910)
Issue of share options	—	—	—	—	—	1,378	—	—	—	—	1,378
Loss for the period	—	—	—	—	—	—	—	—	(142,485)	—	(142,485)
At 30th September 2007	98,209	167,569	12	153,110	—	1,378	—	—	(108,120)	—	312,158

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September 2007

	Unaudited Six months ended 30th September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	25,472	9,977
Net cash outflow from investing activities	(17,649)	(63,306)
Net cash (outflow)/inflow before financing activities	7,823	(53,329)
Net cash inflow from financing activities	693	80,592
Increase in cash and cash equivalents	8,516	27,263
Cash and cash equivalents at the beginning of the period	6,003	7,033
Cash and cash equivalents at the end of the period	14,519	34,296
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	21,869	64,296
Bank loans with maturity less than three months	(4,350)	—
Bank overdrafts	(3,000)	—
	14,519	34,296

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 27th December 2007.

2 Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30th September 2007 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 2007.

3 Accounting policies

The following accounting policy in respect of share-based payment was adopted during the period.

The fair value of options granted is recognized as an expense over the vesting period and credited to the share-based payment reserve. The reserve will be transferred to share capital and share premium account upon exercise of the options and will be transferred to retained earning upon if forfeited or unexercised upon expiry of the exercise period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest, it recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Other than the above, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2007. Those new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 31st March 2008 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 2007					
	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	Group
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
External sales	29,964	7,231	7,271	—	—	44,466
Inter-segment sales	—	900	—	—	(900)	—
	<u>29,964</u>	<u>8,131</u>	<u>7,271</u>	<u>—</u>	<u>(900)</u>	<u>44,466</u>
Segment results	<u>4,785</u>	<u>2,880</u>	<u>(676)</u>	<u>—</u>	<u>1,335</u>	<u>8,324</u>
Unallocated income						11,545
Unallocated costs						<u>(5,576)</u>
Operating profit						14,293
Finance costs						<u>(225)</u>
Share of profits/(losses) of associated companies	—	(2,182)	—	(1,086)	—	<u>(3,268)</u>
Convertible notes and share-based payment						<u>(142,230)</u>
Loss for the period						<u>(131,430)</u>
Property, plant and equipment						
— Additions	71	10	203	—	—	284
— Unallocated additions						<u>348</u>
						<u>632</u>
— Depreciation	246	20	488	—	—	754
— Unallocated depreciation						<u>1,960</u>
						<u>2,714</u>
Film rights, film sub-licensing rights and deposits						
— Additions	8,856	16,682	2,430	—	(900)	27,068
— Amortisation	10,082	3,542	1,736	—	(2,234)	<u>13,126</u>

Unaudited
Six months ended 30th September 2006

	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	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
External sales	28,628	32,167	18,413	—	—	79,208
Inter-segment sales	—	4,271	—	—	(4,271)	—
	28,628	36,438	18,413	—	(4,271)	79,208
Segment results	9,385	3,152	1,933	—	(831)	13,639
Unallocated income						4,361
Unallocated costs						(3,438)
Operating profit						14,562
Finance costs						(1,736)
Share of profits/(losses) of associated companies	—	—	—	(546)	—	(546)
Convertible notes						(961)
Profit for the period						11,319
Property, plant and equipment						
— Additions	12	—	2	—	—	14
— Unallocated additions						978
						992
— Depreciation	237	23	192	—	—	452
— Unallocated depreciation						1,910
						2,362
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)	19,580

Unaudited As at 30th September 2007						
	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	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment asset	40,307	60,651	114,832	—	(4,653)	211,137
Investment in a jointly controlled entity	—	—	—	—	—	—
Investments in associated companies	—	27,291	—	19,151	—	46,442
Unallocated assets						187,843
Total assets						445,422
Segment liabilities	30,998	28,211	1,987	—	—	61,196
Unallocated liabilities						67,015
Total liabilities						128,211
Audited As at 31st March 2007						
	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	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment asset	39,814	42,859	99,535	—	(5,988)	176,220
Investment in a jointly controlled entity	—	—	—	—	—	—
Investments in associated companies	—	20,158	—	20,425	—	40,583
Unallocated assets						228,131
Total assets						444,934
Segment liabilities	25,908	29,779	7,647	—	—	63,334
Unallocated liabilities						100,700
Total liabilities						164,034

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	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Dividend income from available-for-sale financial assets	77	60
Gain on disposal of available-for-sale financial assets	1,921	264
Written back of provision for amount due from an associated company	3,240	—
Rental income	4,745	2,553
Interest income	1,167	1,027
Management fee income	695	757
Charging		
Amortisation of film rights	13,126	19,580
Depreciation of fixed assets	2,714	2,362
Cost of goods sold	2,837	6,143

6 Staff costs

	Unaudited Six months ended 30th September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	7,373	6,272
Pension costs-defined contribution plans	187	174
	7,560	6,446

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 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the Group's (loss)/profit attributable to equity holders of the Company of HK\$131,450,000 (2006: profit of HK\$11,281,000) and on the weighted average of 918,241,082 (2006: 819,874,317) 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 share options and outstanding convertible notes (notes 13 and 14), and net result is adjusted to eliminate fair value changes on revaluation of convertible notes, interest accretion in respect of convertible notes and share-based payment.

	Unaudited Six months ended 30th September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit attributable to equity holders of the Company	(131,450)	11,281
Fair value changes on revaluation of convertible notes	135,503	—
Interest accretion in respect of convertible notes	5,349	961
Share-based payment	1,378	—
Profit used to determine diluted earnings per share	10,780	12,242
Weighted average number of ordinary shares in issue (thousands)	918,241	819,874
Adjustment for assumed conversion of convertible notes (thousands)	68,182	63,338
Adjustment for share options (thousands)	63,661	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,050,084	883,212
Diluted earnings per share (HK cents per share)	1.03	1.38

9 Dividends

Final dividend for the year ended 31st March 2007 of HK\$0.005 (2006: HK\$0.0035) per share totally HK\$4,910,000 (2006: HK\$2,881,000) was paid in September 2007.

10 Trade and other receivables

	Unaudited 30th September 2007	Audited 31st March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	28,645	27,577
<i>Less: provision for impairment of receivables</i>	(4,140)	(4,140)
Trade receivables-net	24,505	23,437
Prepayments, deposits and other receivables	42,573	36,474
	67,078	59,911
<i>Less: non-current portion of</i>		
— trade receivables	(17,833)	(19,106)
— prepayments, deposits and other receivables	(18,477)	(19,907)
	(36,310)	(39,013)
	30,768	20,898

The ageing analysis of trade receivables is as follows:

	Unaudited 30th September 2007	Audited 31st March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	5,664	3,043
4 to 6 months	660	1,936
Over 6 months	22,321	22,598
	28,645	27,577

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 2007	Audited 31st March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	4,874	4,355
4 to 6 months	—	1,197
Over 6 months	1,733	1,708
	6,607	7,260

12 Borrowings and obligations under finance leases

	Unaudited 30th September 2007	Audited 31st March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts-secured	4,350	4,137
Secured bank loans	3,000	7,000
	7,350	11,137
Obligations under finance leases	2,281	2,917
	9,631	14,054

(a) All of the borrowings were repayable within one year.

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

	Unaudited 30th September 2007	Audited 31st March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,356	1,381
In the second year	1,016	1,284
In the third to fifth year	119	519
	2,492	3,184
Future finance charges on finance leases	(210)	(267)
Present value of finance lease liabilities	2,281	2,917
The present value of finance lease liabilities were repayable as follows:		
Within one year	1,244	1,267
In the second year	929	1,178
In the third to fifth year	108	472
	1,037	1,650
	2,281	2,917

13 Convertible notes

	Liability portion	Derivative portion	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April 2007	62,771	28,459	91,230
Changes in fair value of derivative financial instrument	—	135,503	135,503
Interest accretion	5,349	—	5,349
Conversion during the period	(46,467)	(125,855)	(172,322)
Interest paid during the period	(1,546)	—	(1,546)
At 30th September 2007	20,107	38,107	58,214

On 11 August 2006, the Company issued 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. During the period, conversion in an aggregate principal amount of HK\$70,000,000 were made and an aggregate of 159,090,905 shares were issued to the holders of the Notes.

Other than the revaluation of fair value at balance sheet date, the derivative portion of the Notes were also revalued using Binominal model at each conversion dates to determine the then carrying values to be transferred to the share capital and share premium account. Changes in fair values were reflected as an expense in the consolidated income statement. The Company's share price rose significantly during the period and accordingly changes in fair value of the derivative portion amounting to HK\$135,503,000 were expensed during the period.

14 Share options

Prior to 31st March 2007, no option has been granted under the Scheme. On 21st June 2007, 77,100,000 options were granted to certain suppliers to subscribe for 77,100,000 shares of the Company at an exercise price of HK\$0.9 per share. The options are exercisable during the period from 1st August 2007 to 30th June 2008, within which not more than 50% of the share options were exercisable during the period from 1st August 2007 to 31st October 2007. None of the options has been exercised since granted. The closing share price of the Company immediately before the date on which the options were granted was HK\$0.85.

The fair value of the options granted during the period at the measurement date at 21st June 2007 of approximately HK\$2,748,000 was determined under the Black-Scholes-Merton Option Pricing Model and based on the following parameters:

Risk free rate	4.088%
Expected life of the options	0.526 year
Expected volatility	123.17%
Expected dividend yield	0.95%

The variables and assumptions used in computing the fair value of the share options are based on management's best estimate, the value of an option may vary with different variables of certain subjective assumptions with uncertainty.

As at 30th September 2007, 50% of the options were exercisable and accordingly the Group recognized 50% of the fair value of HK\$1,378,000 to the income statement.

15 Share capital

	Number of ordinary shares		Ordinary shares	
	Unaudited 30th September 2007	Audited 31st March 2007	Unaudited 30th September 2007	Audited 31st March 2007
	'000	'000	HK\$'000	HK\$'000
Authorised	3,000,000	3,000,000	300,000	300,000
Issued and fully paid				
At the beginning of the period	823,000		82,300	
Issue of shares (note 13)	159,091		15,909	
At the end of the period	982,091		98,209	

16 Contingent liabilities

At 30th September 2007, 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 2007: HK\$23,794,000).

17 Commitments

As at 30th September 2007, 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\$24,148,000 (31st March 2007: HK\$17,894,000).

18 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	
	2007	2006
	HK\$'000	HK\$'000
Replication fees paid to an associated company	2,398	5,358
Rental income and management fees from associated companies	1,343	702
Commission paid to an associated company	1,266	1,434
Distribution commission income from an associated company	305	—

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 2007 (2006: Nil).

Management Discussion and Analysis

During the six months ended 30th September 2007, the Group recorded an unaudited consolidated turnover of HK\$44,466,000 (2006: HK\$79,208,000) and a loss attributable to equity holders of the Company of HK\$131,450,000 (2006: profit of HK\$11,281,000). Excluding the loss arising from fair value changes on revaluation of convertible notes, interest accretion in respect of convertible notes and share-based payment totally HK\$142,230,000 (2006: HK\$961,000), the profit of the Group attributable to equity holders of the Company for the period shall be HK\$10,780,000 (2006: HK\$10,320,000).

The contribution of revenues from the Group's television segment was at the level of approximately HK\$30 million, representing approximately 67% 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 2007, the Group provided three channels to now TV. In July 2007, the Group commenced a movie channel in Singapore. 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's results. 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 February 2007, the Group acquired 43.73% interest in BIG Media Group Limited (“BIG”), a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. Following the completion of the placing of new shares of BIG in October 2007, the equity interest held by the Group in BIG has been diluted to 23%. Following the acquisition, BIG has become the Group’s associated company and the Group can 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 and favour from the synergy effect in respect of BIG’s film library and the Group’s distribution network. During the period, majority of the Group’s production activities were shifted to and invested by BIG, the Group was appointed as the exclusive distribution agent to market and license BIG’s films and entitled to a distribution commission of 5% of the gross revenue from licensing of BIG’s films. As a result of the above changes in operational arrangement, the Group’s turnover from the segment of film exhibition and film rights licensing and sub-licensing was decreased from HK\$32,167,000 to HK\$7,231,000.

Despite the above, the Group continues to support Hong Kong’s film industry by participating to invest in high quality and popular films including “Red Cliff” and “An Empress and the Warriors”.

The revenues attributable to sale and distribution of films and programs in audio visual product format was dropped from HK\$18,413,000 to HK\$7,271,000, as a result of the reduction in newly released films and the effect of the relevant industrial environment during the period.

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 and copying through re-writable disc drives, 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.

Following the fund raising activities in 2006, the working capital of the Group has been significantly enhanced and during the period, 70% of the convertible notes issued by the Company in 2006 were converted into shares of the Company. As a result, the gearing ratio of the Group was further improved and the Group believes that it will continue to be benefited from the broadened shareholders’ base and its extended exposure to the global entertainment industry. The recognition of loss of HK\$135 million in the income statement as a result of the changes in fair value of the derivative component of the convertible notes, which is in turn due to the significant increase in the Company’s share price during the period, is solely a compliance of the relevant accounting standard and such recognition has no significant effect in the Group’s shareholders’ equity and financial capability.

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 2007, the Group has available banking facilities of approximately HK\$54 million, of which approximately HK\$9 million were utilised. Certain of the Group's deposits and properties with net book values of HK\$30 million and HK\$140 million respectively were pledged to banks to secure banking facilities. The Group's gearing ratio of 21% as at 30th September 2007 was based on the total of convertible notes and derivative financial instrument (with maturity of 2 years) and bank loans, overdrafts and obligations under finance leases (of which HK\$1,244,000, HK\$929,000 and HK\$108,000 are repayable within one year, in the second year and in the third to fifth year respectively) of HK\$67,845,000 and the shareholders' funds of approximately HK\$317,179,000. The Group's borrowings and bank balances are primarily denominated in Hong Kong dollars and the Group has no significant exposure to foreign currency fluctuations.

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

Employees

At 30th September 2007, the Group employed 43 staff. Remuneration is reviewed periodically based on individual staff's performance. In addition to the basic salaries, staff benefits include discretionary bonus, medical insurance scheme and contributory provident fund. The Group also has a share option scheme whereby qualified employees may be granted options to acquire shares of the Company.

Share Option Scheme

Details of the share option scheme (the "Scheme") approved by the shareholders of the Company at the annual general meeting on 30th August 2004 (the "Commencement Date") were disclosed in the Company's circular dated 5th August 2004 and the annual report for the year ended 31st March 2007.

Details of the share options granted during the period are set out in note 14 to the condensed consolidated financial information.

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 2007, 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	30,271,500	37,968,750	424,659,510	50.19
		<i>Note (i)</i>	<i>Note (ii)</i>	
Mr. TONG Hing Chi	3,375,000	—	—	0.34
Mr. CHAU Kei Leung	7,209,000	—	—	0.73
Mr. CHAN Ngan Piu	2,025,000	—	—	0.21

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 2007, 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

Note:

- (a) The total long position interests in the above parties of 52,000,000 shares, representing 5.29% of the issued share capital of the Company, refer to the same parcel of shares.

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

Name	Number of shares-long position	% of the issued share capital of the Company
ITC Corporation Limited	69,279,818	7.05
ITC Investment Holdings Limited	68,181,818	6.94
Mankar Assets Limited	68,181,818	6.94
Famex Investment Limited	68,181,818	6.94
Whole Good Limited	68,181,818	6.94
Hanny Magnetics (B.V.I.) Limited	68,181,818	6.94
Hanny Holdings Limited	68,181,818	6.94

Note:

- (a) The interests held by ITC Corporation Limited includes corporate interests of 1,098,000 shares and derivative interests of 68,181,818 shares which are the same parcel of shares held by other parties above. The interests held by other parties above refer to the same parcel of shares.

Compliance with the Code of Corporate Governance Practices

During the six months ended 30th September 2007, 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 2007, 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 2007.

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 2007.

On behalf of the Board
Li Kuo Hsing
Chairman

27th December 2007