



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

INTERIM REPORT
2004/05

The directors present the Interim Report and condensed accounts of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2004. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th September 2004, and the consolidated balance sheet of the Group as at 30th September 2004, 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 2004

		Unaudited	
		Six months ended	
		30th September	
		2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	71,093	87,632
Cost of sales		(58,295)	(74,973)
Gross profit		12,798	12,659
Other revenues		3,604	5,176
Gain on disposal of interest in an associated company	3(a)	15,707	–
Selling and marketing expenses		(4,904)	(7,726)
Administrative expenses		(14,018)	(17,374)
Operating profit/(loss)	3	13,187	(7,265)
Finance costs		(1,720)	(1,907)
Share of loss of a jointly controlled entity		(65)	(130)
Share of (losses)/profits of associated companies		(1,314)	1,139
Profit/(loss) before minority interests		10,088	(8,163)
Minority interests		(5)	835
Profit/(loss) attributable to shareholders		10,083	(7,328)
Basic earnings/(loss) per share	6	1.31 cents	(0.95 cents)

CONDENSED CONSOLIDATED BALANCE SHEETS
 AS AT 30TH SEPTEMBER 2004 AND 31ST MARCH 2004

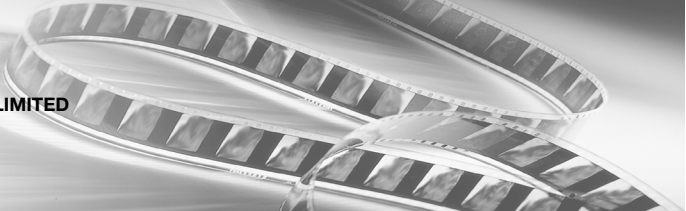
	Notes	Unaudited 30th September 2004 HK\$'000	Audited 31st March 2004 HK\$'000
Fixed assets	7	162,525	163,033
Interest in a jointly controlled entity		-	-
Associated companies		76,540	78,367
Investment securities		7,517	7,517
Film rights and films in progress	7	12,179	9,389
Film sub-licensing rights and deposits	7	22,021	26,260
Current assets			
Inventories		10,848	11,436
Accounts receivable	8	23,381	24,449
Prepayments, deposits and other receivables		7,918	8,608
Pledged deposits		-	500
Bank balances and cash		16,132	3,581
		<u>58,279</u>	<u>48,574</u>
Current liabilities			
Accounts payable	9	10,437	13,140
Receipts in advance and accruals		31,633	25,289
Bills payable		3,199	2,502
Bank loans, secured	10(a)	18,028	19,517
Obligations under finance leases	10(b)	597	1,089
Bank overdrafts, secured		6,129	11,416
		<u>70,023</u>	<u>72,953</u>
Net current liabilities		<u>(11,744)</u>	<u>(24,379)</u>
Total assets less current liabilities		<u>269,038</u>	<u>260,187</u>
Financed by:			
Share capital	11	77,100	77,100
Reserves		167,910	157,827
Shareholders' funds		<u>245,010</u>	234,927
Minority interests		(21)	(27)
Long-term liabilities	10	<u>24,049</u>	<u>25,287</u>
		<u>269,038</u>	<u>260,187</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

	Unaudited	
	Six months ended	
	30th September	
	2004	2003
	HK\$'000	HK\$'000
Net cash inflow from operating activities	37,456	28,151
Net cash outflow from investing activities	(16,284)	(23,123)
Net cash inflow before financing	21,172	5,028
Net cash outflow from financing	(3,334)	(3,467)
Increase in cash and cash equivalents	17,838	1,561
Cash and cash equivalents at the beginning of the period	(7,835)	(14,201)
Cash and cash equivalents at the end of the period	10,003	(12,640)
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	16,132	452
Bank overdrafts	(6,129)	(13,092)
	10,003	(12,640)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

	Unaudited	
	Six months ended	
	30th September	
	2004	2003
	HK\$'000	HK\$'000
Share capital		
At the beginning and the end of the period	77,100	77,100
Share premium		
At the beginning and the end of the period	222,791	222,791
Share redemption reserve		
At the beginning and the end of the period	12	12
Contributed surplus		
At the beginning and the end of the period	128,418	128,418
Exchange difference		
At the beginning and the end of the period	(306)	(306)
Investment properties revaluation reserve		
At the beginning and the end of the period	1,911	–
Accumulated losses		
At the beginning of the period	(194,999)	(189,421)
Profit/(loss) for the period	10,083	(7,328)
At the end of the period	(184,916)	(196,749)
Shareholders' funds	245,010	231,266



NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants.

These condensed interim accounts should be read in conjunction with the 2003/04 annual accounts.

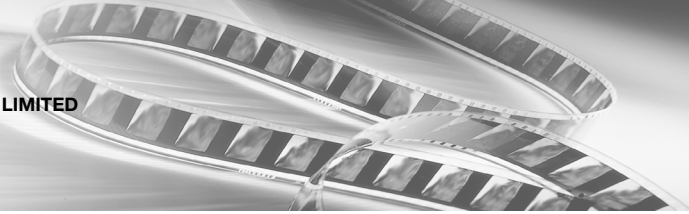
The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st March 2004.

2. Segment information

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

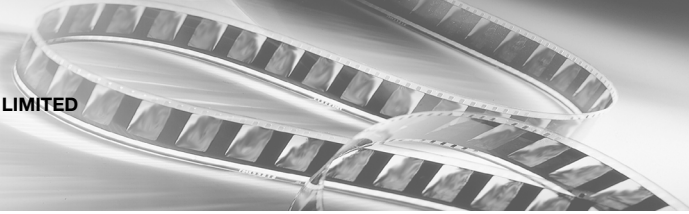
An analysis of the Group's revenues and results for the period by business segments, being the primary reporting format, is as follows:

	Unaudited				
	Six months ended 30th September 2004				
	Sale and distribution of films and programs in audio visual product format HK\$'000	Film exhibition and film rights licensing and sub- licensing HK\$'000	Television operations HK\$'000	Processing of audio visual products HK\$'000	Group HK\$'000
Revenues	<u>42,042</u>	<u>15,573</u>	<u>13,478</u>	<u>-</u>	<u>71,093</u>
Segment results	<u>(13,502)</u>	<u>4,167</u>	<u>6,327</u>	<u>-</u>	<u>(3,008)</u>
Unallocated income					17,612
Unallocated costs					<u>(1,417)</u>
Operating profit					13,187
Finance costs					<u>(1,720)</u>
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>



	Unaudited				
	Six months ended 30th September 2003				
	Sale and distribution of films and programs in audio visual product format <i>HK\$'000</i>	Film exhibition and film rights licensing and sub- licensing <i>HK\$'000</i>	Television operations <i>HK\$'000</i>	Processing of audio visual products <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenues	<u>69,223</u>	<u>11,578</u>	<u>6,831</u>	<u>-</u>	<u>87,632</u>
Segment results	<u>(2,307)</u>	<u>(1,540)</u>	<u>(5,322)</u>	<u>-</u>	<u>(9,169)</u>
Unallocated income					5,176
Unallocated costs					<u>(3,272)</u>
Operating loss					(7,265)
Finance costs					(1,907)
Share of profits/(losses) of:					
Jointly controlled entity	(130)	-	-	-	(130)
Associated companies	-	818	-	321	<u>1,139</u>
Loss before minority interests					(8,163)
Minority interests					<u>835</u>
Loss attributable to shareholders					<u>(7,328)</u>

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



3. Operating profit/(loss)

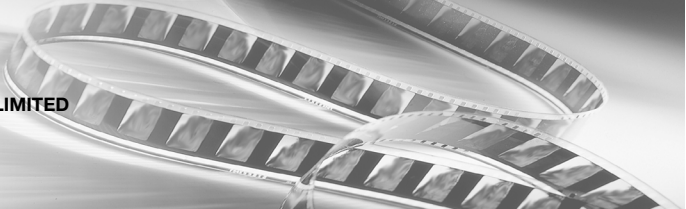
Operating profit/(loss) is stated after crediting and charging the following:

	Unaudited	
	Six months ended	
	30th September	
	2004	2003
	HK\$'000	HK\$'000
Crediting		
Gain on disposal of fixed assets	–	1,430
Gain on disposal of interest in an associated company (<i>note 3(a)</i>)	15,707	–
	<hr/>	<hr/>
Charging		
Amortisation of film rights	5,255	8,196
Amortisation of film sub-licensing rights	27,584	28,056
Depreciation of fixed assets	2,541	3,329
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- (a) On 4th May 2004, the Group entered into an agreement to place its entire interest of M21 Technology Limited and the placing was completed on 7th May 2004. Details of the placing have been set out in the circular of the Company dated 27th May 2004.

4. Staff costs

	Unaudited	
	Six months ended	
	30th September	
	2004	2003
	HK\$'000	HK\$'000
Wages and salaries	5,937	7,589
Pension costs – defined contribution plans	193	231
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	6,130	7,820
	<hr/>	<hr/>



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/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$10,083,000 (2003: loss of HK\$7,328,000) and on the weighted average of 771,000,000 (2003: 771,000,000) shares in issue during the period.

Diluted earnings/(loss) per share is not disclosed as there were no dilutive potential ordinary shares as at 30th September 2004 and 2003.

7. Capital expenditure

	Film rights and film in progress <i>HK\$'000</i>	Film sub- licensing rights and deposits <i>HK\$'000</i>	Fixed assets <i>HK\$'000</i>
6 months ended 30th September 2004			
Opening net book amount	9,389	26,260	163,033
Additions	8,045	23,345	2,033
Amortisation/depreciation charge	(5,255)	(27,584)	(2,541)
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Closing net book amount	12,179	22,021	162,525
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8. Accounts receivable

The ageing analysis of accounts receivable is as follows:

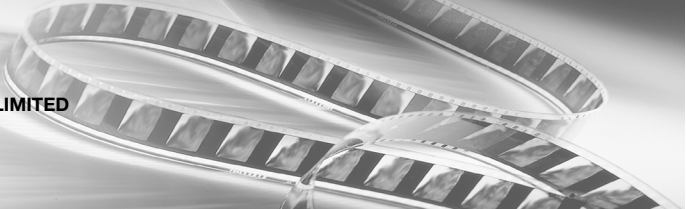
	Unaudited 30th September 2004 HK\$'000	Audited 31st March 2004 HK\$'000
Current to 3 months	7,823	14,757
4 to 6 months	5,083	5,568
Over 6 months	14,313	7,962
	27,219	28,287
Less: provision for doubtful debts	(3,838)	(3,838)
	23,381	24,449

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 2004 HK\$'000	Audited 31st March 2004 HK\$'000
Current to 3 months	5,482	11,285
4 to 6 months	285	231
Over 6 months	4,670	1,624
	10,437	13,140



10. Long term liabilities

	Unaudited 30th September 2004 HK\$'000	Audited 31st March 2004 HK\$'000
Bank loans – secured (<i>note (a)</i>)	41,916	44,682
Obligations under finance leases (<i>note (b)</i>)	758	1,211
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	42,674	45,893
Current portion of long-term liabilities	(18,625)	(20,606)
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	24,049	25,287
	<hr/>	<hr/>

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

	Unaudited 30th September 2004 HK\$'000	Audited 31st March 2004 HK\$'000
Within one year	18,028	19,517
In the second year	5,964	4,944
In the third to fifth year	15,915	16,260
After the fifth year	2,009	3,961
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	23,888	25,165
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	41,916	44,682
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(b) Obligations under finance leases are repayable in the following periods:

	Unaudited 30th September 2004 HK\$'000	Audited 31st March 2004 HK\$'000
Within one year	683	1,237
In the second year	207	114
In the third to fifth year inclusive	—	21
	890	1,372
Future finance charges on finance leases	(132)	(161)
Present value of finance lease liabilities	758	1,211

The present value of finance lease liabilities is as follows:

Within one year	597	1,089
In the second year	161	102
In the third to fifth year inclusive	—	20
	758	1,211

11. Share capital

	Unaudited 30th September 2004 HK\$'000	Audited 31st March 2004 HK\$'000
Authorised		
3,000,000,000 ordinary shares of HK\$0.1 each	300,000	300,000
Issued and fully paid		
771,000,000 ordinary shares of HK\$0.1 each	77,100	77,100

12. Contingent liabilities

	Group		Company	
	30th September 2004 HK\$'000	31st March 2004 HK\$'000	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Guarantee given to banks in respect of banking facilities to the extent of:				
Subsidiaries	-	-	64,245	68,342
Associated companies	5,250	5,250	5,250	5,250
	<u>5,250</u>	<u>5,250</u>	<u>69,495</u>	<u>73,592</u>

13. Commitments

As at 30th September 2004, 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\$12,379,000 (31st March 2004: HK\$13,386,000).

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	
	2004 HK\$'000	2003 HK\$'000
Replication fee paid to an associated company	8,690	15,330
Rental income from associated companies	978	1,356
Playout services fee to an associated company	606	2,220
Pre-mastering services fee and post-production services fee to an associated company	416	1,603
Sale of fixed assets to an associated company	-	5,700

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 2004 (2003: Nil).


MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September 2004, the Group recorded an unaudited consolidated turnover of HK\$71,093,000 (2003: HK\$87,632,000), a decrease of 19% compared with the same period last year. Taking into account the gain on disposal of M21 Technology Limited, an associated company, during the period of HK\$15,707,000, the Group recorded a profit attributable to shareholders of HK\$10,083,000 for the period. Excluding the aforesaid gain, the loss for the period was HK\$5,624,000, which was improved compared with the loss of HK\$7,328,000 in the same period last year.

Sale and distribution of films and programs in audio visual product format continues to be the major business segment of the Group, despite the decrease of 39% in the segment turnover from HK\$69,223,000 to HK\$42,042,000. Such decrease was compensated by the increase in turnover from the Group's two other segments, film exhibition and film rights licensing and sub-licensing and television operations by 35% to HK\$15,573,000 and 97% to HK\$13,478,000 respectively.

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 and copying through re-writable disc drives, 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.

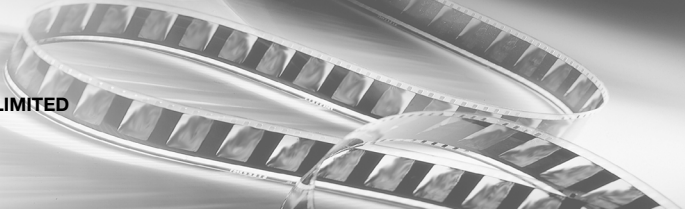
During the period, the Group, through its subsidiary, released 2 films, namely "The Foliage" and "My Sweetie", and through Brilliant Idea Group Limited, an associated company, also released 2 films namely "Love Battlefield" and "Hidden Heroes". Another film "Beyond Our Ken" was also released subsequent to 30th September 2004. All of which received encouraging responses from the market in their theatrical, video discs release and overseas sub-licensing and the Group will continue to invest in the film production industry and produce high quality films which are well-accepted by the market.



In 2001, the Group launched its first broadcasting channel, namely MATV1 which provides movies from its film library and other programs from its business partners on a free-to-air basis. Since then, the Group has explored sources of revenue streams from its TV operations. Following the launch of new pay-TV channels in the year of 2004, including now TV, ex-TV and HK Broadband, the Group has secured contracts with all pay TV operators in Hong Kong to provide channels of movies and drama. According to the plan of digital TV signal development which allows more broadcasting channels than the existing analogue system, the number of TV channels and hence the demand for TV programs in Hong Kong is expected to increase significantly. The Group will continue to inject resources to its TV operations and invest in acquiring welcomed programs. Equipped by the Group's solid foundation in its TV operations through investments for years and backed by its movie library, the Group believes it will continue to enjoy encouraging rewards and the fruitful prospectus of TV operations.

In May 2004, the Group disposed of its entire interest in M21 Technology Limited ("M21"), an associated company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited at a consideration of approximately HK\$25 million and brought a gain on disposal of HK\$15,707,000 for the period. The directors consider the disposal represent a good opportunity for the Group to realise its investment in M21 and the proceeds also enable the Group to strengthen its working capital and concentrate its financial resources into its three main core businesses as mentioned above.

Following the implementation of stringent cost control measures, the Group's selling and marketing expenses and administrative expense were decreased by 37% and 19% respectively. 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 following the continuous 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.



Liquidity and financial resources

At 30th September 2004, the Group has available banking facilities of approximately HK\$66 million, of which approximately HK\$51 million were utilised. Certain of the Group's properties with net book values of HK\$141 million were pledged to banks to secure banking facilities. The Group's gearing ratio of 20% as at 30th September 2004 was based on the total of bank loans, overdrafts and obligations under finance leases of approximately HK\$48,803,000 (of which HK\$24,754,000, HK\$6,125,000, HK\$15,915,000 and HK\$2,009,000 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\$245,010,000. 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 2004, the Group had contingent liabilities in respect of guarantees given to banks for facilities of associated companies amounting to approximately HK\$5.3 million, and commitments in respect of film production and acquisition of film rights of approximately HK\$12.4 million. The commitments will be financed by the Group's internal resources and banking facilities.

Employees

At 30th September 2004, the Group employed 60 staff. Remuneration is reviewed annually. 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.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS
IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY
OR ANY ASSOCIATED CORPORATION**

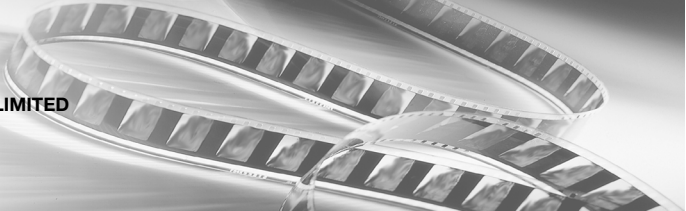
At 30th September 2004, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by 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	25,679,500	37,968,750 <i>Note (i)</i>	404,379,510 <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 Mrs. 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:

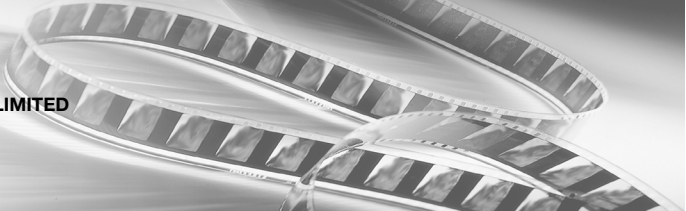
Name	No. of non-voting deferred shares held Personal interests
Mei Ah Laser Disc Company Limited	100,000
Mei Ah Video Production Company Limited	10,000
Mei Ah Investment Company Limited	500,000

With the exception of the interests disclosed above and the Share Option Scheme detailed below,

- (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 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 2004, 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 2004, 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 to secure general banking facilities of approximately HK\$27 million granted to the Group.

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.

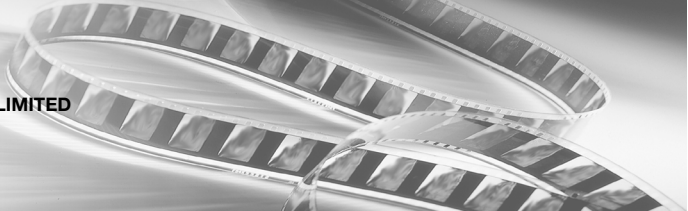
During the period, no options was granted under the share option scheme.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules at any time during the six months ended 30th September 2004.

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 period.



AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adapted by the Group and discussed financial reporting matters, including a review of the unaudited interim condensed accounts for the six months ended 30th September 2004.

On behalf of the Board

Li Kuo Hsing

Chairman

20th December 2004