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If you have sold or transferred all your shares in Mei Ah Entertainment Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



美亞娛樂資訊集團有限公司

MEI AH ENTERTAINMENT GROUP LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 0391)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



粵海證券有限公司

GUANGDONG SECURITIES LIMITED

A notice convening the special general meeting of Mei Ah Entertainment Group Limited to be held at Conference Room, 5/F., Mei Ah Centre, 28 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Monday, 27 February 2012 at 5 p.m. is set out on pages II-1 and II-2 of this circular. If you are not able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

10 February 2012

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Annual Cap(s)”	the maximum annual sum of distribution agency fee payable by MAFP to Hua Tian Xia under the New Master Agreement for each of the years ending 31 March 2012, 2013 and 2014
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Director(s)
“Company”	Mei Ah Entertainment Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 391)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the terms of the New Master Agreement, the Transactions and the Annual Caps
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hua Tian Xia”	廣州美亞華天下電影發行有限公司 (Guangzhou Mei Ah Hua Tian Xia Film Distribution Company Limited*), a company incorporated in the PRC with limited liability and 70% of its equity interest is held by Mei Ah Media

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising Dr. Lee G. Lam, Mr. Cheung Ming Man and Ms. Wang Huarong, each being an independent non-executive Director, established for the purpose of giving recommendation to the Independent Shareholders regarding the terms of the New Master Agreement, the Transactions and the Annual Caps
“Independent Shareholders”	Shareholders other than Kuo Hsing Holdings Limited, Mr. Li Kuo Hsing, Ms. Li Pik Lin and their respective associates
“Latest Practicable Date”	8 February 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“MAFP”	Mei Ah Film Production Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Mei Ah Media”	美亞長城傳媒(北京)有限公司 (Mei Ah Great Wall Media (Beijing) Company Limited*), a company incorporated in the PRC with limited liability and more than 50% equity interest of which is beneficially held by Mr. Li Kuo Lin
“New Master Agreement”	the master agreement dated 18 January 2012 entered into between MAFP and Hua Tian Xia in respect of the appointment of Hua Tian Xia as the sole distribution agent for the Group’s films in the PRC commencing from the effective date of the New Master Agreement to 31 March 2014
“Original Master Agreement”	the master agreement dated 18 August 2011 entered into between MAFP and Hua Tian Xia in respect of the appointment of Hua Tian Xia as the sole distribution agent for the Group’s films in the PRC for the year ending 31 March 2012

DEFINITIONS

“PRC”	The People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Taiwan and the Macao Special Administrative Region of the PRC
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the New Master Agreement, the Transactions and the Annual Caps
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the New Master Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

* *For identification purpose only*

LETTER FROM THE BOARD



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 0391)

Executive Directors:

Mr. Li Kuo Hsing (*Chairman*)
Mr. Tong Hing Chi (*Managing Director*)
Mr. Chau Kei Leung

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. Hugo Shong
Mr. Alan Cole-Ford
Mr. Chan Ngan Piu

Principal place of business:

5/F., Mei Ah Centre
28 Chun Choi Street
Tseung Kwan O Industrial Estate
Kowloon
Hong Kong

Independent Non-executive Directors:

Dr. Lee G. Lam
Mr. Cheung Ming Man
Ms. Wang Huarong

10 February 2012

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 18 August 2011, MAFP and Hua Tian Xia entered into the Original Master Agreement, pursuant to which MAFP appointed Hua Tian Xia as the sole distribution agent of the Group's films in the PRC for the year ending 31 March 2012. The Company also set an annual cap of HK\$9,000,000 for the distribution agency fee payable to Hua Tian Xia for the same year. Since the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules with reference to this original annual cap are more than 5% but less than 25% and the absolute amount of such annual cap is less than HK\$10 million, the Original Master Agreement and the continuing connected transactions contemplated thereunder were subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval under the Listing Rules.

LETTER FROM THE BOARD

Up to the Latest Practicable Date, the actual amount of the distribution agency fee payable by the Group to Hua Tian Xia was approximately HK\$7,800,000 which did not exceed the original annual cap of HK\$9,000,000. It is anticipated that the total distribution agency fee for the year ending 31 March 2012 may exceed such original annual cap. In light of this, the annual cap for the year ending 31 March 2012 is proposed to be revised. After the trading hours of the Stock Exchange on 18 January 2012, MAFP and Hua Tian Xia entered into the New Master Agreement for a term commencing from the effective date of the New Master Agreement to 31 March 2014 and the Company shall comply with the applicable Listing Rules requirements in the respect thereof.

The purpose of this circular is to provide you with (i) details of the New Master Agreement, the Transactions and the Annual Caps; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM.

THE NEW MASTER AGREEMENT

Date: 18 January 2012

Parties: (i) MAFP, an indirect wholly-owned subsidiary of the Company; and
(ii) Hua Tian Xia

Hua Tian Xia is a company incorporated in the PRC with limited liability and 70% of its equity interest is held by Mei Ah Media. Mr. Li Kuo Lin, the controlling shareholder of Mei Ah Media, is the brother of Mr. Li Kuo Hsing who is an executive Director.

Save as disclosed above, to the best of Directors' knowledge, information and belief having made all reasonable enquiries, Hua Tian Xia and its ultimate beneficial owner are otherwise independent of the Company and its connected persons.

Subject Matter:

Pursuant to the New Master Agreement, (i) MAFP agreed to appoint Hua Tian Xia as the sole distribution agent of the Group in the PRC and Hua Tian Xia agreed to provide MAFP with distribution services in respect of the Group's films in the PRC commencing from the effective date of the New Master Agreement to 31 March 2014; and (ii) the parties agreed to terminate the Original Master Agreement.

LETTER FROM THE BOARD

Distribution agency fee:

Pursuant to the New Master Agreement, the distribution agency fee payable by the Group to Hua Tian Xia shall be in the range of 3% to 6% of the net distribution proceeds of each film of the Group, which is determined after arm's length negotiations with reference to the usual market practice in the industry. The net distribution proceeds of a film are calculated as the gross distribution proceeds less the contribution to 國家電影事業發展專項資金 (the Special Fund for Development of the National Film Industry*), which is a special fund established by the government of the PRC to support the production of the national films and the development of the domestic film industry, as required under the applicable regulations in the PRC and relevant taxes as required under the PRC laws. Pursuant to the New Master Agreement, Hua Tian Xia will first collect the gross distribution proceeds on behalf of the Group and then refund the Group's entitlement to the Group, net of the distribution agency fee payable to Hua Tian Xia, (i) on a quarterly basis for the first six months of showing; and (ii) on an annual basis afterwards. The charging rate of each film varies depending on the nature of the film. MAFP and Hua Tian Xia shall negotiate the final rate of distribution agency fee on a film by film basis in accordance with the terms of the New Master Agreement.

CONDITION PRECEDENT

The New Master Agreement is conditional upon the passing of the ordinary resolution by the Independent Shareholders at the SGM approving the New Master Agreement, the Transactions and the Annual Caps. The long stop date of the New Master Agreement is 31 March 2012.

ANNUAL CAPS

Based on the actual amount of distribution agency fee incurred in relation to the distribution services provided by Hua Tian Xia up to 31 December 2011 of approximately HK\$7,800,000, the available films to be distributed by the Group in the PRC through Hua Tian Xia in the foreseeable future, the gross distribution proceeds estimated by the Group for the films and the terms of the New Master Agreement, (i) the Annual Cap for the year ending 31 March 2012 is proposed to be revised from HK\$9,000,000 to HK\$18,600,000; and (ii) the Annual Caps for the years ending 31 March 2013 and 31 March 2014 are proposed to be HK\$21,500,000 and HK\$28,400,000 respectively.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE NEW MASTER AGREEMENT

The principal activities of the Group are television operations, film exhibition, film rights licensing and sub-licensing, sale and distribution of films and programmes, and artiste management.

Hua Tian Xia is principally engaged in the distribution of films in the PRC and is the holder of a film distributing licence in the PRC.

In the PRC, only holders of film distributing licences are eligible to engage in the film distribution business. Hua Tian Xia is eligible to distribute films in PRC by holding a film distributing licence. MAFP has engaged Hua Tian Xia as its sole distribution agent in the PRC since 2011. During the year ended 31 March 2011, Hua Tian Xia distributed one of the Group's films in the PRC and received distribution agency fee from the Group amounting to HK\$884,000. Since the abovementioned fee incurred was in de minimis scale, the corresponding transaction was not subject to reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. From 1 April 2011 to 31 December 2011, Hua Tian Xia also distributed two films of the Group. In view of the booming film market in the PRC, and the capability and proven track record of Hua Tian Xia to distribute the Group's films through its distribution network, the Board considers that it is in the ordinary and usual course of the Group's business and in the interests of the Company and the Shareholders as a whole to enter into the New Master Agreement and continue to engage Hua Tian Xia as its sole distribution agent in the PRC, and recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the New Master Agreement, the Transactions and the Annual Caps.

LISTING RULES IMPLICATIONS

Hua Tian Xia is company incorporated in the PRC with limited liability and 70% of its equity interest is held by Mei Ah Media. Mr. Li Kuo Lin, the controlling shareholder of Mei Ah Media, is the brother of and thus an associate of Mr. Li Kuo Hsing who is an executive Director. Hence, Hua Tian Xia is a connected person of the Company and the Transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules with reference to each of the Annual Caps are more than 5% but less than 25% and the maximum absolute amount of each of the Annual Caps for the three years ending 31 March 2014 exceeds HK\$10 million, the New Master Agreement, the Transactions and the Annual Caps are subject to announcement, Independent Shareholders' approval, annual review and reporting requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Company will seek the Independent Shareholders' approval of the New Master Agreement, the Transactions and the Annual Caps at the SGM by way of poll. As at the Latest Practicable Date, Kuo Hsing Holdings Limited (a company beneficially controlled by Mr. Li Kuo Hsing) held 2,217,047,550 Shares representing 39.36% of the total issued Shares. Mr. Li Kuo Hsing and his spouse, Ms. Li Pik Lin, also held 202,077,500 Shares and 189,843,750 Shares (together representing approximately 6.96% of the total issued Shares) respectively. Kuo Hsing Holdings Limited, Mr. Li Kuo Hsing, Ms. Li Pik Lin and their respective associates shall abstain from voting at the SGM.

Mr. Li Kuo Hsing was required to abstain from voting on the board resolution in respect of the Transactions. Save as disclosed above, none of the Directors have a material interest in the Transactions and accordingly, no Director was required to abstain from voting on the board resolution in respect thereof.

The Independent Board Committee has been established to give recommendation to the Independent Shareholders on the terms of the New Master Agreement, the Transactions and the Annual Caps. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

A notice convening the SGM to be held at Conference Room, 5/F., Mei Ah Centre, 28 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Monday, 27 February 2012 at 5 p.m. is set out on pages II-1 and II-2 of this circular.

A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 10 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders and the letter of advice from Guangdong Securities set out on pages 11 to 20 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders on the terms of the New Master Agreement, the Transactions and the Annual Caps.

The Independent Board Committee, having taken into account the advice of Guangdong Securities, considers that the terms of the New Master Agreement (together with the Annual Caps) are on normal and commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Transactions are in the ordinary and usual course of the Group's business and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the New Master Agreement, the Transactions and the Annual Caps.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

On behalf of the Board
Mei Ah Entertainment Group Limited
Tong Hing Chi
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 0391)

10 February 2012

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the ordinary resolution to approve the New Master Agreement, the Transactions and the Annual Caps, details of which are set out in the letter from the Board contained in the circular of the Company (the “**Circular**”) dated 10 February 2012. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We wish to draw your attention to the letter from the Board, the letter from Guangdong Securities containing its advice on whether the terms of the New Master Agreement, the Transactions and the Annual Caps are on normal and commercial terms and are fair and reasonable, and whether it is in the ordinary and usual course of the Group’s business and in the interests of the Company and the Shareholders as a whole to enter into the New Master Agreement and continue to engage Hua Tian Xia as its sole distribution agent in the PRC, as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by Guangdong Securities in relation thereto as stated in its letter, we consider that the terms of the New Master Agreement, (together with the Annual Caps) are on normal and commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Transactions are in the ordinary and usual course of the Group’s business and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the New Master Agreement, the Transactions and the Annual Caps.

Yours faithfully,

Independent Board Committee

Mei Ah Entertainment Group Limited

Dr. Lee G. Lam

Mr. Cheung Ming Man

Ms. Wang Huarong

Independent non-executive Directors

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Transactions for the purpose of inclusion in this circular.



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

10 February 2012

*To: The independent board committee and the independent shareholders
of Mei Ah Entertainment Group Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 10 February 2012 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

It is anticipated that the total distribution agency fee in relation to the distribution services provided by Hua Tian Xia to the Group for the year ending 31 March 2012 may exceed the original annual cap under the Original Master Agreement. In order to revise the original annual cap under the Original Master Agreement and to extend the term of the Original Master Agreement, on 18 January 2012 (after trading hours), MAFP, being an indirect wholly-owned subsidiary of the Company, and Hua Tian Xia entered into the New Master Agreement regarding the provision of distribution services by Hua Tian Xia in respect of the Group's films in the PRC for a term commencing from the effective date of the New Master Agreement to 31 March 2014.

LETTER FROM GUANGDONG SECURITIES

The Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Transactions are therefore subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. Kuo Hsing Holdings Limited, Mr. Li Kuo Hsing, Ms. Li Pik Lin and their respective associates shall abstain from voting on the resolution(s) to approve the New Master Agreement and the transactions contemplated thereunder at the SGM.

An Independent Board Committee comprising Dr. Lee G. Lam, Mr. Cheung Ming Man and Ms. Wang Huarong (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the New Master Agreement (together with the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant ordinary resolution(s) to approve the New Master Agreement and the transactions contemplated thereunder at the SGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement in the Circular misleading.

LETTER FROM GUANGDONG SECURITIES

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, MAFP, Mr. Li Kuo Lin, Mei Ah Media, Hua Tian Xia or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

(1) Background of the Transactions

Information on the Group

With reference to the Board Letter, the principal activities of the Group are television operations, film exhibition, film rights licensing and sub-licensing, sale and distribution of films and programmes, and artiste management.

LETTER FROM GUANGDONG SECURITIES

Set out below are the consolidated financial information on the Group for each of the six months ended 30 September 2010 and 2011 and each of the two years ended 31 March 2011 as extracted from the interim report of the Company for the six months ended 30 September 2011 (the “**2011 Interim Report**”) and the annual report of the Company for the year ended 31 March 2011:

	For the six months ended 30 September 2011 <i>HK\$'000</i> <i>(unaudited)</i>	For the six months ended 30 September 2010 <i>HK\$'000</i> <i>(unaudited)</i>	For the year ended 31 March 2011 <i>HK\$'000</i> <i>(audited)</i>	For the year ended 31 March 2010 <i>HK\$'000</i> <i>(audited)</i> <i>(restated)</i>
Revenue	240,081	83,812	200,169	157,093
— Hong Kong	46,961	48,723	90,373	99,565
— Singapore	28,031	24,455	52,312	47,650
— The PRC	156,394	—	34,229	—
— Other countries	8,695	10,634	23,255	9,878
Gross Profit	86,485	40,605	80,660	65,101
Profit for the period/year	23,332	30,339	48,444	52,208

As depicted by the table above, the Group recorded a substantial growth in revenue for the six months ended 30 September 2011 as compared to the corresponding period in 2010 and its revenue for the six months ended 30 September 2011 already exceeded the corresponding figure for the full year ended 31 March 2011. The growth was mainly derived from the new market in the PRC. According to the 2011 Interim Report, two films were released in the PRC during the six months ended 30 September 2011 and those two films received positive responses from the market and thereby contributed significant revenue of approximately HK\$156 million and encouraging return to the Group. As confirmed by the Directors, a number of other film and drama projects are being produced and planned and more films are expected to be released in the forthcoming financial years. The Directors are optimistic on the future prospects of the film industry in the PRC and expect that this sector would continue to provide steady and secured income source to the Group.

LETTER FROM GUANGDONG SECURITIES

Information on Hua Tian Xia

Hua Tian Xia is principally engaged in the distribution of films in the PRC and is the holder of a film distributing licence in the PRC. Through the distribution relationship with Hua Tian Xia, the Group's films can be penetrated and exposed into the PRC market.

(2) Reasons for the Transactions

As mentioned under the section headed "Reasons for and benefits of the New Master Agreement" of the Board Letter, only holders of film distributing licences are eligible to engage in the film distribution business in the PRC. Hua Tian Xia is the holder of a film distributing licence and thus is eligible to distribute films in the PRC. MAFP has engaged Hua Tian Xia as its sole distribution agent in the PRC since 2011. During the year ended 31 March 2011, Hua Tian Xia distributed one of the Group's films in the PRC and received distribution agency fee from the Group amounting to approximately HK\$884,000. From 1 April 2011 to 31 December 2011, Hua Tian Xia also distributed two films of the Group under the Original Master Agreement and received distribution agency fee amounting to approximately HK\$7.8 million while the Group recognised the aggregate revenue of approximately HK\$150 million from the distribution of the aforementioned two films in the PRC. Such amount of revenue represented a significant portion of approximately 62.5% of the Group's total revenue during the period.

In order for us to form a better understanding on the future outlook of the film industry in the PRC, we have researched over the internet. With reference to the 2010 China Statistical Yearbook issued by the National Bureau of Statistics of China, the total number of films produced in the PRC has been mounting continuously from 2004 to 2009. The total number of films produced in the PRC rose from 287 in 2004 to 589 in 2009. In addition, according to statistics issued by the State Administration of Radio Film and Television, the box office in the PRC increased from approximately RMB10,171.67 million in 2010 to approximately RMB13,114.72 million in 2011, representing an increase of approximately 28.93%. As advised by the Directors, following the development of the PRC economy, the film exhibition industry and box office income in the PRC has grown rapidly in recent years. The Directors consider that the PRC film market represents a business opportunity with steady and secured income source for the Group.

Furthermore, the Directors advised us that more films are being produced and planned to be released in the next few months and the Group intends to increase the number of films to be produced and released in the future. The Directors are of the view that the box office from the PRC market will continue to grow and deliver

LETTER FROM GUANGDONG SECURITIES

steady revenue to the Group. It is expected that the box office from the release of those films will be significant and it is important to secure the distribution network in the PRC. Through the film distribution track record of Hua Tian Xia with the Group as aforementioned, the Directors consider that Hua Tian Xia has demonstrated its capability to distribute the Group's films through its distribution network in the PRC. For our due diligence purpose, we have obtained the statement computing the Group's entitlement for the release of a film of the Group which had been distributed by Hua Tian Xia in the PRC during the six months ended 30 September 2011 as aforementioned (the "Statement") and the relevant theatre distribution list. We noticed from the Statement that the box office of such film distributed by Hua Tian Xia in the PRC amounted to over RMB95 million for the six months ended 30 September 2011, and the theatre distribution list showed that Hua Tian Xia distributed the film through 28 PRC cinema operators, while one of the largest operators has contracted over 400 theatres in the PRC. After reviewing the same, we concur with the Directors that Hua Tian Xia exhibited its quality and network with regards to film distribution in the PRC and thus it is in the interests of the Company and the Shareholders as a whole to enter into the New Master Agreement and to continue engaging Hua Tian Xia as its sole distribution agent in the PRC.

Based on the above reasons for the Transactions and our independent due diligence work (including discussions with the Directors regarding the film distribution track record of Hua Tian Xia with the Group and the future business plan of the Group, research over the internet for the future outlook of the film industry in the PRC, and obtaining the Statement and the theatre distribution list of a film of the Group previously distributed by Hua Tian Xia in the PRC), we concur with the Directors that the Transactions are in the interests of the Company and the Shareholders as a whole.

(3) Principal terms of the New Master Agreement

On 18 January 2012 (after trading hours), MAFP and Hua Tian Xia entered into the New Master Agreement regarding the provision of distribution services by Hua Tian Xia in respect of the Group's films in the PRC.

Pursuant to the New Master Agreement:

- (i) MAFP agreed to appoint Hua Tian Xia as the sole distribution agent of the Group in the PRC and Hua Tian Xia agreed to provide MAFP with distribution services in respect of the Group's films in the PRC commencing from the effective date of the New Master Agreement to 31 March 2014; and

LETTER FROM GUANGDONG SECURITIES

(ii) the parties agreed to terminate the Original Master Agreement.

The distribution agency fee payable by the Group to Hua Tian Xia shall be in the range of 3% to 6% of the net distribution proceeds of each film of the Group, which is determined after arm's length negotiations with reference to the usual market practice in the industry. The net distribution proceeds of a film are calculated as the gross distribution proceeds less the contribution to 國家電影事業發展專項基金 (the Special Fund for Development of the National Film Industry*) as required under the applicable regulations in the PRC and the relevant taxes as required under the PRC laws. The charging rate of each film varies depending on the nature of the film. MAFP and Hua Tian Xia shall negotiate the final rate of distribution agency fee on a film by film basis in accordance with the terms of the New Master Agreement.

Further details of the terms of the New Master Agreement and the distribution agency fee are set out in the section headed "The New Master Agreement" of the Board Letter.

As confirmed by the Directors, the Directors consider that the terms of the New Master Agreement (together with the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Besides the terms as outlined above, we have also reviewed the other major terms of the New Master Agreement and are not aware of any other terms which are uncommon. Moreover, for our due diligence purpose, we have obtained copies of sample distribution agreements entered into between Hua Tian Xia and parties independent of the Company and its connected persons (the "**Other Agreements**"). We noted from the Other Agreements that the terms and conditions of the New Master Agreement, including the distribution agency fee, are similar to those as contained in the Other Agreements. In light of the foregoing, we concur with the Directors that the terms of the New Master Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

* For identification purpose only

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(4) The Annual Caps

The table below shows the Annual Caps for the three years ending 31 March 2014:

	For the year ending 31 March		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
The original annual cap	9,000	Not applicable	Not applicable
The Annual Caps	18,600	21,500	28,400

With reference to the Board Letter, the Annual Caps are determined with reference to: (i) the actual amount of distribution agency fee incurred in relation to the distribution services provided by Hua Tian Xia up to 31 December 2011 of approximately HK\$7.8 million; (ii) the available films to be distributed by the Group in the PRC through Hua Tian Xia in the foreseeable future; (iii) the gross distribution proceeds estimated by the Group for the films; and (iv) the terms of the New Master Agreement.

In assessing the fairness and reasonableness of the Annual Caps, we have discussed with the Directors and were advised that given the blooming outlook of the PRC film industry, the Group would like to broaden and further expand its box office in the PRC. Upon our enquiry, we have been provided with the planned film distribution schedule for the PRC market from the Company for the coming three years ending 31 March 2014 to substantiate the expected gross distribution proceeds and hence the expected distribution agency fee to be paid to Hua Tian Xia. According to the planned film distribution schedule as provided by the Company, a total of four films (including the two films which had been released in the PRC during the six months ended 30 September 2011 as aforementioned) are planned to be released in the PRC for the year ending 31 March 2012, and five and six films are scheduled to be released in the PRC for each of the two years ending 31 March 2013 and 31 March 2014 respectively. As advised by the Directors, among the five films scheduled to be released during the year ending 31 March 2013, two films were in the final stage of production and pending to be released during the second half of 2013 and three films were in the progress of planning/production as at the Latest Practicable Date. As for the year ending 31 March 2014, the Directors confirmed that six films are expected to be produced with similar production scale as those films to be released during the year ending 31 March 2013 although the shooting had not yet been commenced as at the Latest Practicable Date.

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Having considered the above bases and assumptions for determining the Annual Caps, we consider that the Annual Caps for each of the three years ending 31 March 2014 are fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders should note that the Annual Caps are relating to future events and are estimated based on assumptions which may or may not remain valid during the term commencing from the effective date of the New Master Agreement to 31 March 2014, and they do not represent forecasts of revenue to be generated from the Transactions. Consequently, we express no opinion as to how closely the actual revenue to be generated under the Transactions will correspond with the Annual Caps.

(5) Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.37 to 14A.41 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by the Annual Caps for the three years ending 31 March 2014; (ii) the terms of the New Master Agreement (together with the Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors' annual review on the terms of the New Master Agreement (together with the Annual Caps) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, that the Transactions are carried out in accordance with the relevant agreement governing the transactions, and the Annual Caps are not being exceeded. In the event that the total amounts of the Transactions exceed the Annual Caps, or that there is any material amendment to the terms of the New Master Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions (together with the Annual Caps) and hence the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GUANGDONG SECURITIES

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the New Master Agreement (together with the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Transactions, which are conducted in the ordinary and usual course of business of the Company, are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the SGM to approve the New Master Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors, were as follows:

(1) Interests and short positions in the shares, underlying shares and debentures of the Company

Name of Director	Number of Shares beneficially held-long position			% of the total issued Shares
	Personal interest	Family interest	Corporate interest	
Mr. Li Kuo Hsing	202,077,500	189,843,750 (Note i)	2,217,047,550 (Note ii)	46.32
Mr. Tong Hing Chi	16,875,000	—	—	0.30
Mr. Chau Kei Leung	36,045,000	—	—	0.64
Mr. Chan Ngan Piu	10,125,000	—	—	0.18

Notes:

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

(2) Interests and short positions in the shares, underlying shares and debentures of the subsidiaries of the Company

Mr. Li Kuo Hsing personally held non-voting deferred shares of HK\$1.00 each in the following subsidiaries of the Company as at the Latest Practicable Date:

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors. None of the Directors or proposed Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group which is not determinable by the Group within one year, without payment of compensation (other than statutory compensation).

EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which are contained or referred to in this circular:

Guangdong Securities Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Guangdong Securities has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and references to its names in the form and context in which they are included.

As at the Latest Practicable Date, Guangdong Securities was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, Guangdong Securities did not have any interest, either directly or indirectly, in any assets which have been, since 31 March 2011 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

MATERIAL ADVERSE CHANGE

Up to the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2011 (the date to which the latest published audited consolidated financial statements of the Company were made up).

DIRECTORS' INTERESTS IN ASSETS OF THE GROUP

Up to the Latest Practicable Date, none of the Directors had any direct or indirect material interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2011 (the date to which the latest published audited consolidated financial statements of the Company were made up).

DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

MISCELLANEOUS

The English version of this circular shall prevail over the Chinese text for the purpose of interpretation.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company at 5/F., Mei Ah Centre, 28 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Original Master Agreement;
- (c) the New Master Agreement;
- (d) the letter addressed to the Independent Shareholders from the Independent Board Committee, the text of which is set out on page 10 of this circular;
- (e) the letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 11 to 20 of this circular; and
- (f) the letter of consent from Guangdong Securities referred to in the section headed "Expert and Consent" of this appendix.

NOTICE OF THE SPECIAL GENERAL MEETING



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 0391)

CONTINUING CONNECTED TRANSACTIONS

NOTICE IS HEREBY GIVEN that the special general meeting of Mei Ah Entertainment Group Limited (the “**Company**”) will be held at Conference Room, 5/F., Mei Ah Centre, 28 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Monday, 27 February 2012 at 5 p.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the agreement (the “**New Master Agreement**”) dated 18 January 2012 (as defined in the circular of the Company dated 10 February 2012 (the “**Circular**”), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose), the Transactions contemplated thereunder including the Annual Caps (as more particularly described in the Circular) be and are hereby approved and the directors of the Company be and are hereby authorised to take any step as they consider necessary, desirable or expedient in connection therewith.”

On behalf of the Board

Mei Ah Entertainment Group Limited

Tong Hing Chi

Executive Director

Hong Kong, 10 February 2012

NOTICE OF THE SPECIAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company.
2. A form of proxy for the meeting is enclosed. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, shall be deposited at the Company's Branch Registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting.

As at the date of this notice, the executive Directors are Mr. Li Kuo Hsing, Mr. Tong Hing Chi and Mr. Chau Kei Leung; the non-executive Directors are Mr. Hugo Shong, Mr. Alan Cole-Ford and Mr. Chan Ngan Piu; and the independent non-executive Directors are Dr. Lee G. Lam, Mr. Cheung Ming Man and Ms. Wang Huarong.