

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st March 2003.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 29 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 21.

The directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 10 to the accounts.

PRINCIPAL INVESTMENT PROPERTIES

Details of the principal investment properties held by the Group are set out on page 74.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in notes 20 and 21 to the accounts respectively.

DISTRIBUTABLE RESERVES

At 31st March 2003, the Company has no distributable reserves available for distribution to shareholders of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

REPORT OF THE DIRECTORS

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 73.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTION SCHEME

On 24th September 1993 (the "Commencement Date"), a share option scheme (the "Scheme") was approved by the shareholders of the Company. Details of the Scheme are as follows:

(a) Purposes of the Scheme

The purposes of the Scheme are to recognise the contribution made by the executive directors and the employees of the Group and to retain the services of the employees who will make valuable contribution to the Group.

(b) Participants of the Scheme

The Company may offer to grant share options (the "Options") to any full-time employees (the "Employee"), including any executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

(c) Maximum number of shares available for issue under the Scheme

The maximum number of shares available for issue under the Scheme is 77,100,000, representing 10% of the issued share capital of the Company at the date of this report.

(d) Maximum entitlement of each participant

No Employee shall be granted an Option which, if exercised in full, would result in such Employee becoming entitled to subscribe for such number of shares as when aggregated with the total number of shares already issued under all the Options previously granted to him which have been exercised, and, issuable under all the Options previously granted to him which are for the time being subsisting and unexercised, would exceed 25 per cent. of the aggregate number of shares for the time being issued and issuable under the Scheme.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(continued)*

(e) Remaining life and the exercisable period of the Options

The Scheme shall be valid and effective for a period of 10 years from the Commencement Date and it will remain valid until 23rd September 2003, after which period no further Options will be granted. The Options granted may be exercised at any time during a period of 2 years commencing on the expiry of 6 months after the date upon which the Options is accepted and expiring on the last day of the 2-year-period.

(f) Payment on acceptance of the Options offer

A sum of HK\$10 is payable by the Employee on acceptance of the Options offer.

(g) Basis of determining the subscription price

The subscription price for shares in relation to the Options to be granted under the Scheme shall be determined by the Board of Directors and notified to an Employee being not less than (i) 80 per cent. of the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer (the "Offer Date") of the Options; or (ii) the nominal value of the shares of the Company, whichever is the higher.

Details of the share options which have been granted under the Scheme are as follows:

Name	Options held at 1st April 2002	Options expired during the year	Options held at 31st March 2003	Exercise price HK\$	Date of grant	Exercisable from	Exercisable until
Mr. Li Kuo Hsing	15,000,000	(15,000,000)	—	1.1267	28th January 2000	19th August 2000	18th August 2002
Mr. TONG Hing Chi	13,500,000	(13,500,000)	—	1.1267	28th January 2000	19th August 2000	18th August 2002
Mr. CHAU Kei Leung	13,500,000	(13,500,000)	—	1.1267	28th January 2000	19th August 2000	18th August 2002
Employees	17,010,000	(17,010,000)	—	1.1267	28th January 2000	19th August 2000	18th August 2002
	<u>59,010,000</u>	<u>(59,010,000)</u>	<u>—</u>				

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(continued)*

During the year, none of the Options was exercised and all of the Options expired on 18th August 2002. No Option was granted during the year.

DIRECTORS

The directors during the year and up to the date of this report were:

Executive directors

Mr. LI Kuo Hsing (*Chairman*)

Mr. TONG Hing Chi

Dr. YOU Jing Feng

Mr. CHAU Kei Leung

Non-executive director

Mr. CHAN Ngan Piu

Independent non-executive directors

Mr. LEE Man Kwong

Mr. CHEUNG Yui Kai, Warren (appointed on 15th May 2003)

Mr. CHEUNG Kung Tai (resigned on 18th March 2003)

In accordance with clauses 91 and 99 of the Company's bye-laws, Mr. CHAN Ngan Piu and Mr. CHEUNG Yui Kai, Warren retire and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group entered into certain transactions with associated companies in which certain directors of the Company have indirect interests through their interests in the Company as disclosed in the section headed "Directors' interests in equity or debt securities" below. Details of these transactions have been set out in note 28 to the accounts, save as the above, no other contracts of significance in relation to the Group's business to which the Company, its holding company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 9 to 10.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st March 2003, the interests of the directors and chief executives in the shares and the Options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance 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	21,421,500	37,968,750 <i>Note (i)</i>	403,669,510 <i>Note (ii)</i>
Mr. TONG Hing Chi	3,375,000	—	—
Mr. CHAU Kei Leung	7,209,000	—	—
Mr. CHAN Ngan Piu	2,025,000	—	—

Notes:

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES *(continued)*

(b) Details of Share Options granted to the directors are summarised above in the section headed "Share option scheme".

(c) **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	Number 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 those set out in the section headed "Share option scheme" above, at no time during the year was the Company, its holding company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as aforesaid, at no time during the year, 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 SDI Ordinance).

SUBSTANTIAL SHAREHOLDERS

At 31st March 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interest, being 10% or more of the Company's issued share capital, other than those of Mr. LI Kuo Hsing as disclosed above in the section headed "Directors' interests in equity or debt securities".

DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES

At 31st March 2003, 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 granted to the Group. Details of the facilities have been set out in note 27 to the accounts.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 28 to the accounts do not constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PENSION SCHEME ARRANGEMENT

The Group provides a mandatory provident fund scheme (“MPF Scheme”) for its staff in Hong Kong in compliance with the requirement under the Hong Kong Mandatory Provident Fund Scheme Ordinance (“MPF Scheme Ordinance”). Under the MPF Scheme, both the employer and the employees are required to contribute 5 per cent. of the basic salary of the employees up to a maximum of HK\$1,000 per employee per month. All benefits derived from the mandatory contribution must be preserved until the employee reaches the retirement age of 65 subject to certain exceptions. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The accrued benefits of an employee, which are derived from the Group’s mandatory and voluntary contributions under the MPF Scheme can be used to offset any long service payments or severance payments payable to that employee. The total contribution to the MPF Scheme paid by the Group during the year amounted to HK\$361,000.

The Group also contributes to a defined contribution retirement scheme (the “Retirement Scheme”) which provides retirement benefits to its employees who joined the Group prior to the adoption of the MPF Scheme and who chose not to join the MPF Scheme after its adoption. The Retirement Scheme’s assets are held in a provident fund (the “Fund”) managed by an independent administrator. Under the Retirement Scheme, both the employer and the employees are required to contribute 5 per cent. of the basic salary of the employees (up to a maximum of HK\$1,000 per employee) on a monthly basis. The employees are entitled to 100 per cent. of the employer’s contribution and accrued interest after 10 years of completed service, or at a reduced scale of between 20 per cent. and 90 per cent. after completion of 2 to 9 years’ service, in which case the forfeited contributions and the related accrued interest are to be used to reduce the employer’s contributions.

REPORT OF THE DIRECTORS

PENSION SCHEME ARRANGEMENT *(continued)*

The aggregate employer's contributions, net of forfeited contributions and their accrued interest, which have been dealt with in the consolidated profit and loss account for the year ended 31st March 2003 amounted to:

	<i>HK\$'000</i>
Gross employer's contributions	331
Less: Forfeited contributions and their accrued interest utilised to offset employer's contributions for the year	(169)
	162
Net employer's contributions charged to the consolidated profit and loss account	

As at 31st March 2003, there was no forfeited contributions available to reduce future contributions under the Retirement Scheme and contributions totalling HK\$21,000 payable to the Fund are included in accounts payable.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

—	the largest supplier	26%
—	five largest suppliers combined	78%

Sales

—	the largest customer	19%
—	five largest customers combined	43%

The largest supplier of the Group is a 45% owned associated company in which certain directors of the Company have indirect interests through their interests in the Company as disclosed in the section "Directors' interests in equity or debt securities". Save as the above, none of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The term of office for the non-executive directors (including independent non-executive directors) of the Company is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

REPORT OF THE DIRECTORS

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES *(continued)*

Other than the above, the Code of Best Practice has been complied with by the Company during the year ended 31st March 2003 as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness of the Group's internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr. LEE Man Kwong and Mr. CHEUNG Yui Kai, Warren, who has replaced Mr. CHEUNG Kung Tai as the committee member since his appointment as an independent non-executive director on 15th May 2003. Two meetings were held during the current financial year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors or management shareholders of the Company (as defined in the Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Li Kuo Hsing

Chairman

Hong Kong, 28th July 2003