

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st March 2005.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 30 to the accounts.

An analysis of the Group's performance for the year by segment 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 22.

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 11 to the accounts.

PRINCIPAL INVESTMENT PROPERTIES

Details of the principal investment properties held by the Group are set out on page 72.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 21 to the accounts.

DISTRIBUTABLE RESERVES

Under the Companies Act 1981 of Bermuda and the Company bye-laws, the contributed surplus is not distributable to shareholders except that immediately following the distributions or dividend payments, the Company is able to pay its debts as they fall due in the ordinary course of business.

At 31st March 2005, the Company has no distributable reserves available for distribution to shareholders of the Company.

Report of the Directors

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.

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 71.

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

A share option scheme of the Company was adopted by the shareholders of the Company in the annual general meeting held on 30th August 2004 (the "Share Option Scheme").

(a) Purposes

The purposes of the Share Option Scheme are to attract and retain the best quality personnel for the development of the Group's businesses; to provide additional incentives to employees, consultants, agents, advisers, customers, suppliers, business and joint venture partners of the Company, its subsidiaries and its associated companies.

(b) Participants

On and subject to the terms of the Share Option Scheme and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Board may offer to grant share options (the "Options") to any director and employee, consultant, agent, advisor, customer, supplier, business and joint venture partner of the Company, its subsidiaries and its associated companies ("Qualifying Grantee") as the Board may in its absolute discretion select. Provided the Board so agrees, such offer may be accepted by a related trust of the relevant Qualifying Grantee.

Report of the Directors

SHARE OPTION SCHEME *(Continued)*

(c) Administration

The Share Option Scheme shall be subject to the administration of the Board. The Board's administrative powers include the authority, in its discretion:

- (i) to select Qualifying Grantees to whom Options may be granted under the Share Option Scheme;
- (ii) to determine, subject to the requirements of the Listing Rules and the law, the time of the grant of Options;
- (iii) to determine the number of Shares to be covered by each Option granted under the Share Option Scheme;
- (iv) to approve forms of option agreements;
- (v) to determine the terms of conditions of any Option. Such terms and conditions may include:
 - the exercise price;
 - the period within which the Shares must be taken up under the Option, which must not be more than 10 years from the date of grant;
 - the minimum period, if any, for which an Option must be held before it can vest (the Share Option Scheme itself does not specify any minimum holding period);
 - the performance targets, if any, that must be achieved before the Option can be exercised (the Share Option Scheme itself does not specify any performance targets);
 - the amount, if any, payable on application or acceptance of the Option and the period within which payments or calls must or may be made or loans for such purposes must be repaid;
- (vi) to construe and interpret the terms of the Share Option Scheme and Options granted pursuant to the Share Option Scheme;
- (vii) to prescribe, amend and rescind rules and regulations relating to the Share Option Scheme; and

Report of the Directors

SHARE OPTION SCHEME *(Continued)*

(c) Administration *(Continued)*

(viii) subject to the provisions relating to grant to substantial shareholders and independent non-executive directors and their respective associates in the Share Option Scheme, to vary the terms and conditions of any option agreement (provided that such variation is not inconsistent with the terms of the Listing Rules and the Share Option Scheme).

(d) Life of the Share Option Scheme and grant of Options

The Share Option Scheme is valid and effective for a period of 10 years from the date of adoption. On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board shall be entitled at any time within 10 years commencing on the date of adoption to make an offer for the grant of an Option to any Qualifying Grantee as the Board may in its absolute discretion select.

(e) Acceptance and payment on acceptance of Option offer

An offer of the grant of any Option shall remain open for acceptance by the Qualifying Grantee concerned and, provided the Board so agrees, by a related trust of the named Qualifying Grantee for a period of 28 days from the date of the offer (or such longer period as the Board may specify in writing).

HK\$1.00 is payable by the grantee to the Company on acceptance of the Option offer.

(f) Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option but the subscription price shall not be less than whichever is the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(g) Option period

The period within which the Shares must be taken up under an Option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant Option.

Report of the Directors

SHARE OPTION SCHEME *(Continued)*

(h) Maximum number of shares available under the Share Option Scheme

(i) Overriding Limit

The limit on the number of shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded.

(ii) Mandate Limit

In addition to the limit set out in sub-paragraph (h)(i) above and prior to the approval of a Refreshed Mandate Limit as referred to in sub-paragraph (h)(iii) below, the total number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other schemes of the Company must not in aggregate exceed 77,100,000 Shares ("Initial Mandate Limit"), representing 10% of the issued share capital of the Company at the date of this annual report. Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

(iii) Refreshing of Mandate Limit

The Company may by ordinary resolutions of the shareholders refresh the Mandate Limit provided the Company shall issue a circular containing such information as required by the Listing Rules to shareholders before such approval is sought. However, the total number of shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as refreshed ("Refreshed Mandate Limit") must not exceed 10% of the shares in issue as at the date of approval of the Refreshed Mandate Limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

Report of the Directors

SHARE OPTION SCHEME *(Continued)*

(h) **Maximum number of shares available under the Share Option Scheme** *(Continued)*

(iv) Grant to specifically identified participants

Specifically identified participants may be granted Options beyond the Mandate Limit. The Company may in addition seek separate approval by its shareholders in general meeting for granting Options beyond the Mandate Limit provided the Options in excess of the limit are granted only to participants specifically identified by the Company and a circular containing such information as required by the Listing Rules is issued to shareholders before such approval is sought. The date of board meeting for proposing such further grant should be taken as the date of grant for such grants.

(v) Limit for each participant

The total number of shares issued and to be issued upon exercise of Options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares in issue. Where any further grant of Options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant shall be subject to separate approval by shareholders in general meeting with the relevant participant and his associates abstaining from voting. Prior to seeking such approval, the Company shall issue a circular containing such information as required by the Listing Rules to shareholders. The date of board meeting for proposing such further grant should be taken as the date of grant for such grants.

No Option was granted during the year.

DIRECTORS

The directors during the year were:

EXECUTIVE DIRECTORS

Mr. LI Kuo Hsing *(Chairman)*

Mr. TONG Hing Chi *(Managing Director)*

Mr. CHAU Kei Leung

Report of the Directors

NON-EXECUTIVE DIRECTORS

Dr. YOU Jing Feng
Mr. CHAN Ngan Piu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Warren CHEUNG
Mr. CHEUNG Ming Man (appointed on 1st September 2004)
Ms. WANG Huarong (appointed on 29th October 2004)
Mr. LEE Man Kwong (resigned on 29th October 2004)

In accordance with the Company's bye-laws, Mr. CHAU Kei Leung and Mr. CHAN Ngan Piu, 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.

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' and chief executives' interests, and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" below. Details of these transactions have been set out in note 29 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 6 to 8.

Report of the Directors

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

At 31st March 2005, 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	26,495,500	37,968,750 <i>Note (i)</i>	407,011,510 <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.

(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	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

Report of the Directors

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

Save as aforesaid, at no time during the year 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.

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 SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

At 31st March 2005, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of Mr. LI Kuo Hsing as disclosed above.

PLEDGE OF SHARES

At 31st March 2005, 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 28 to the accounts.

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 under the requirement of the Hong Kong Mandatory Provident Fund Scheme Ordinance ("MPF Scheme Ordinance"). Under the MPF Scheme, the Group's contributions are calculated at 5% of the employees' relevant income as defined in the MPF Scheme Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK\$5,000 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\$233,000.

Report of the Directors

PENSION SCHEME ARRANGEMENT *(Continued)*

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 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% 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% of the employer's contribution and accrued interest after 10 years of completed service, or at a reduced scale of between 20% and 90% 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.

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 2005 amounted to:

	<i>HK\$'000</i>
Gross employer's contributions	145
Less: Forfeited contributions and their accrued interest utilised to offset employer's contributions for the year	(14)
	<hr/>
Net employer's contributions charged to the consolidated profit and loss account	<u>131</u>

As at 31st March 2005, the forfeited contributions available to reduce future contributions under the Retirement Scheme amounted to HK\$14,000 and contributions totalling HK\$40,000 and HK\$8,000 payable to the MPF Scheme and the Retirement Scheme respectively were included in payable in the consolidated balance sheet.

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	15%
— five largest suppliers combined	55%

Report of the Directors

SALES

— the largest customer	15%
— five largest customers combined	41%

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’ and chief executives’ interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation”. 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.

CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 29 to the accounts do not constitute connected transactions under the Listing Rules.

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.

Other than the above, the Code of Best Practice (prior to the replacement by the Code on Corporate Governance Practices and Corporate Governance Report applicable to accounting periods commencing on or after 1st January 2005) has been complied with by the Company during the year ended 31st March 2005 as set out in Appendix 14 of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND 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 Institute of Certified Public 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 both the external and internal audit and of internal controls and risk evaluation. The Committee comprises three independent non-executive directors, namely Mr. Warren CHEUNG, Mr. CHEUNG Ming Man and Ms. WANG Huarong. Two meetings were held during the current financial year.

Report of the Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE *(Continued)*

The Company has received from each of the independent non-executive directors an annual confirmation of their respective independence pursuant to Chapter 3.13 of the Listing Rules and the Company considers the independent non-executive directors remain independent.

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 2005