



Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31st March, 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 50 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2003 are set out in the consolidated income statement on page 22.

No dividend was paid during the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 76.

SHARE CAPITAL

During the year, the Company underwent a capital reorganisation which comprised of the reduction of the then issued share capital, cancellation of the authorised but unissued share capital, increase in authorised share capital and cancellation of an amount of HK\$1,850 million standing to the credit of the share premium account.

Details of these and other movements in the share capital are set out in note 36 to the financial statements.

INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties at the balance sheet date and the deficit arising on revaluation of approximately HK\$2 million has been charged to the income statement.

Details of these are disclosed in note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, through the disposal of subsidiaries, the Group disposed of certain land and buildings with a net book value of HK\$103 million.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

PROPERTY INTERESTS

A summary of property interests of the Group at 31st March, 2003 is set out on pages 77 and 78 of the annual report.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

During the year, the Group's associate, Gold Focus Ltd. ("Gold Focus"), disposed of its 92.1% of Fortune Impact Limited to M Channel Corporation Limited ("M Channel", formerly known as 36.com Holdings Limited) at the consideration of approximately HK\$230 million, which was satisfied by the issue of approximately 14,391 million shares in M Channel of HK\$0.0001 each to Gold Focus. Subsequently, Gold Focus distributed its interests in M Channel in form of special dividend to its then shareholders and repayment of shareholders' loans. As at 31st March, 2003, the Group's interest in M Channel was approximately 26.91%.

During the year, the Group disposed of its entire interest in Unicon Industrial Group Limited ("Unicon") and the entire amount of the shareholders' loan to Paul Y. - ITC Construction Holdings Limited for a cash consideration of HK\$103 million. Unicon, through a subsidiary, held an interest in a property situated in Hong Kong. The disposal constituted a discloseable and connected transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and was duly approved by independent shareholders of the Company.



Directors' Report

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES *(continued)*

The Group's interest in Leadership Publishing Group Limited ("Leadership Publishing", formerly known as Sing Pao Media Group Limited), was diluted from 25.56% to 18.56% following the rights issue carried out by Leadership Publishing. In addition, the remaining 18.56% interest held by the Group were subsequently disposed of to Sun Media Group Holdings Limited ("Sun Media") in January 2003 in exchange for a 3.79% interest in the then issued share capital of Sun Media.

In addition, PH (Melbourne) Pty Ltd, a wholly-owned subsidiary of the Company, was placed under administration during the year. Accordingly, the results of PH (Melbourne) Pty Ltd are consolidated in the Company's financial statements up to the date it was placed under administration as it operated under severe restrictions that significantly impair the control by the Company thereafter. The gain on deconsolidation of the subsidiary of approximately HK\$13 million was recognised in the income statement.

Details of the Company's principal subsidiaries and the Group's principal jointly controlled entities and associates at 31st March, 2003 are set out in notes 50, 21 and 22 to the financial statements, respectively.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Tam Wing Lun, Alan (*Chairman*)
Tsang Chi Wai, Eric (*Deputy Chairman*)
Chan Pak Cheung, Natalis (*Deputy Chairman*)
Wong Yat Cheung (*Deputy Chairman*)
Wong Kun To (*Managing Director*)
Chau Mei Wah, Rosanna
Mui Yim Fong
Chan Yan Kin, Philip
Chan Chak Mo
Robert Ian Earl
Lau Buong Lik, Stephen
Chan Kong Sang, Jackie (resigned on 21st December, 2002)

Non-executive director:

Lai Ming, Leon

Independent non-executive directors:

Au Chun Kwok, Augustus
Lam Tak Shing

In accordance with By-laws 87(1) and 87(2) of the Company's Bye-laws, Messrs. Chan Chak Mo, Lai Ming, Leon and Lam Tak Shing and Ms. Chau Mei Wah, Rosanna will retire. Messrs. Chan Chak Mo, Lai Ming, Leon and Lam Tak Shing, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Ms. Chau Mei Wah, Rosanna, while also being eligible, will not offer herself for re-election in the forthcoming annual general meeting.

The term of office of each non-executive director is the period from the date of appointment up to his retirement by rotation as required by the Company's Bye-laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.



Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Interests of the directors of the Company in competing businesses required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

Name of director	Name of companies	Nature of competing business	Nature of interest
Wong Yat Cheung	Winning Partners Entertainment Company Ltd.	Movie production	As a director and the major shareholder
	Rich & Famous Film & TV Production Ltd.	Production house	As a director and a substantial shareholder
	Rich & Famous Talent Management Group Ltd.	Talent management	As a director and a substantial shareholder
Wong Kun To	ITC Corporation Limited ("ITC") and its subsidiaries ^(Note 1)	Property interest in Hong Kong and the Mainland China Loan financing business in Hong Kong	As an executive director
Chau Mei Wah, Rosanna	ITC and its subsidiaries	Property business in Hong Kong and the Mainland China Loan financing business in Hong Kong	As the managing director
	Paul Y. - ITC Construction Holdings Limited ("Paul Y") and its subsidiaries	Property business in Hong Kong and the Mainland China	As an executive director
	Rosedale Hotel Group Limited (formerly known as China Land Group Limited) and its subsidiaries ^(Note 2)	Property business in the Mainland China	As an executive director
Mui Yim Fong	Mui Music Limited	Provision of agency and talent management services to artistes	As a director and substantial shareholder
Chan Yan Kin, Philip ^(Note 3)	Mandarin Entertainment (Holdings Limited)	Film distribution in the Mainland China Movie production in Hong Kong Music entertainment	As the chief executive officer
Robert Ian Earl	Planet Hollywood International, Inc.	Franchising of theme restaurants	As the chairman and chief executive officer
Lau Buong Lik, Stephen	HRC Holdings Pte. Ltd.	Operation of Hard Rock Cafés in Asia	As an executive director

Notes:

1. Paul Y., which has the property interest in Hong Kong, became a subsidiary of ITC in December 2002.
2. Rosedale Hotel Group Limited ceased to be a subsidiary of China Strategic Holdings Limited ("China Strategic") in December 2002 and Ms. Chau Mei Wah, Rosanna is therefore no longer interested in the property business of China Strategic in the Mainland China through her directorship in China Strategic as previously disclosed.
3. Mr. Chan Yan Kin, Philip ceased to be the Chairman of Circle Asia Limited in July 2002 and is therefore no longer by virtue of such position interested in the businesses of Circle Asia Limited, including the co-production and distribution of Korean movies and TV drama series, provision of artiste agency talent management services (Korea artistes related) and music entertainment (Korea artistes related), which may cause competition to the Group as previously disclosed.



Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

Having considered (i) the nature, geographical market, scope and size of the above businesses as compared to those of the Group; and (ii) the nature and extent of the above-named directors' respective interest in these businesses, the directors of the Company believe that there is unlikely to be any significant competition caused to the businesses of the Group.

Save as disclosed above, none of the directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' INTERESTS IN SECURITIES

At 31st March, 2003, the interests of the directors of the Company in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of interests) Ordinance (the "SDI Ordinance") as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") in the Listing Rules were as follows:

(a) Interests in the Company

Name of director	Number of ordinary shares held as			
	Personal interests	Family interests	Corporate interests	Other interests
Tam Wing Lun, Alan	424,000	-	-	-
Tsang Chi Wai, Eric	394,000	-	-	-
Chan Pak Cheung, Natalis	394,000	-	-	-
Wong Yat Cheung	7,130,571	-	-	-
Mui Yim Fong	26,000	-	-	-
Chan Chak Mo	270,000	-	-	-

(b) Interests in associated corporations

The Saint News Limited

Mr. Wong Yat Cheung had, as at 31st March, 2003, a personal interest of 10 shares, representing 10% shareholding, in the issued share capital of The Saint News Limited, an indirect 51% owned subsidiary of the Company as at 31st March, 2003.

Save as disclosed above, at 31st March, 2003, none of the directors of the Company or their associates had any interests in any securities of the Company or any of its associated corporations, within the meaning of the SDI Ordinance, as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



Directors' Report

SHARE OPTIONS SCHEMES

(A) The Company

The Company has two share option schemes which were adopted on 29th April, 1996 ("1996 Scheme") and 28th August, 2002 ("2002 Scheme"), the 1996 Scheme was terminated on 28th August, 2002. Particulars of these schemes are set out in note 37 to the financial statements.

Under the 2002 Scheme, there were no share options granted since its adoption.

The share options which have been granted under the 1996 Scheme to certain directors of the Company to subscribe for shares in the Company are as follows:

Name of director	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1.4.2002	Number of share options			Outstanding at 31.3.2003
					Granted during the year	Exercised during the year	Lapsed during the year	
Tam Wing Lun, Alan	14.9.1999	14.3.2000 to 13.3.2003	1.5880	6,900,000	-	-	(6,900,000)	-
	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	-	-	-	5,000,000
	17.3.2000	17.9.2000 to 16.9.2003	1.1600	4,500,000	-	-	-	4,500,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	2,000,000	-	-	-	2,000,000
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	4,000,000	-	-	-	4,000,000
Tsang Chi Wai, Eric	3.11.2000	3.5.2001 to 2.5.2004	0.2680	2,000,000	-	-	-	2,000,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	2,000,000	-	-	-	2,000,000
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	4,000,000	-	-	-	4,000,000
Chan Pak Cheung, Natalis	14.9.1999	14.3.2000 to 13.3.2003	1.5880	6,900,000	-	-	(6,900,000)	-
	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	-	-	-	5,000,000
	17.3.2000	17.9.2000 to 16.9.2003	1.1600	4,500,000	-	-	-	4,500,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	2,000,000	-	-	-	2,000,000
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	4,000,000	-	-	-	4,000,000
Wong Kun To	14.9.1999	14.3.2000 to 13.3.2003	1.5880	6,900,000	-	-	(6,900,000)	-
	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	-	-	-	5,000,000
	17.3.2000	17.9.2000 to 16.9.2003	1.1600	4,500,000	-	-	-	4,500,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	2,000,000	-	-	-	2,000,000
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	4,000,000	-	-	-	4,000,000



Directors' Report

SHARE OPTIONS SCHEMES (continued)

(A) The Company (continued)

Name of director	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
				Outstanding at 1.4.2002	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2003
Chau Mei Wah, Rosanna	14.9.1999	14.3.2000 to 13.3.2003	1.5880	6,900,000	-	-	(6,900,000)	-
	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	-	-	-	5,000,000
	17.3.2000	17.9.2000 to 16.9.2003	1.1600	4,500,000	-	-	-	4,500,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	1,000,000	-	-	-	1,000,000
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	2,000,000	-	-	-	2,000,000
Robert Ian Earl	3.11.2000	3.5.2001 to 2.5.2004	0.2680	5,000,000	-	-	-	5,000,000
Lau Buong Lik, Stephen	23.12.2000	23.6.2001 to 22.6.2004	0.2256	1,000,000	-	-	-	1,000,000
Total				<u>100,600,000</u>	<u>-</u>	<u>-</u>	<u>(27,600,000)</u>	<u>73,000,000</u>

At the date of this report, the outstanding number of shares in respect of outstanding share options which were granted under the 1996 Scheme was 54,500,000, representing approximately 1.25% of the shares of the Company in issue at that date.

(B) M Channel

During the year, a director of the Company also had share options granted by M Channel, an associated corporation of the Company, pursuant to its share option scheme which was adopted on 24th May, 2002 to subscribe for shares in M Channel as follows:

Directors	Date of grant	Exercisable period	Exercise price HK\$	Number of share options granted by M Channel			
				Outstanding at 1.4.2002	Granted during the year	Surrendered during the year	Outstanding at 31.3.2003
Wong Kun To	24.5.2002	24.5.2002 to 23.5.2012	0.26	<u>-</u>	<u>10,000,000</u>	<u>(10,000,000)</u>	<u>-</u>

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors, chief executive or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.



Directors' Report

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2003, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed the following persons as having an interest of 10% or more in the issued ordinary shares of the Company:

Name of shareholder	Number of ordinary shares held	Approximate shareholding percentage
Dr. Chan Kwok Keung, Charles ("Dr. Chan")	622,064,479	25.38%
Chinaview International Limited ("Chinaview")	622,064,479	25.38%
Galaxyway Investments Limited ("Galaxyway")	622,064,479	25.38%
ITC Corporation Limited ("ITC")	622,064,479	25.38%
ITC Investment Holdings Limited ("ITC Investment")	622,064,479	25.38%
Vigour Services Limited ("Vigour")	622,064,479	25.38%

Note: Dr. Chan owned the entire interest in Chinaview which in turn owned the entire interest in Galaxyway. Galaxyway owned more than one-third of the issued ordinary share capital of ITC. ITC owned the entire interest in ITC Investment which in turn owned the entire interest in Vigour. Vigour held 622,064,479 ordinary shares of the Company. Accordingly, each of Dr. Chan, Chinaview, Galaxyway, ITC and ITC Investment were deemed to be interested in an aggregate of 622,064,479 ordinary shares of the Company.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the issued ordinary share capital of the Company as at 31st March, 2003.

CONNECTED TRANSACTIONS

- (i) During the year, the Company entered into a placing and subscription agreement with ITC and a placing agent whereby ITC placed, through the placing agent, a total of 276,200,000 ordinary shares of HK\$0.005 each in the Company to independent investors at a price of HK\$0.08 per placing share and subscribed 350,000,000 new shares of the Company at a price of HK\$0.08 per new share.

As ITC is a substantial shareholder of the Company, ITC was deemed a connected person of the Company and the issue of new shares by the Company to ITC constituted a connected transaction for the Company under the Listing Rules.

- (ii) During the year, the Company entered into a conditional sale and purchase agreement with Paul Y., a non-wholly owned subsidiary of ITC, to dispose of its entire interest in Unicon and the entire amount of the shareholder's loan at a cash consideration of HK\$103 million (the "Unicon Disposal"). Unicon, through its wholly-owned subsidiary, held an interest in a property situated in Hong Kong. The Unicon Disposal constituted a connected transaction for the Company under the Listing Rules and was duly approved by independent shareholders of the Company in a special general meeting held on 21st June, 2002.
- (iii) Pursuant to a tenancy agreement entered by the Company's wholly-owned subsidiary, Star East Management Limited, with Cycle Company Limited and Gunnell Properties Limited, wholly-owned subsidiaries of Paul Y., for the lease of premises and provision of building management services to the Group, the Group paid rent and building management fees of approximately HK\$3.0 million during the year. As Paul Y. is a non wholly-owned subsidiary of ITC and is deemed to be a connected person of the Company, these transactions constituted connected transactions for the Company under the Listing Rules and were disclosed by the Company by way of a press announcement issued on 13th December, 2002.
- (iv) The Group paid interest expenses amounting to approximately HK\$1.2 million to a wholly-owned subsidiary of Paul Y. in connection with a convertible note.



Directors' Report

CONNECTED TRANSACTIONS (continued)

- (v) The Group paid interest expenses of approximately HK\$2.0 million and approximately HK\$3.3 million to Paul Y. – ITC Management Limited and ITC Management Limited, respectively, in connection with the loans advanced by them.
- (vi) During the year, the Company pledged time deposits of approximately HK\$40 million to secure the banking facilities granted to Planet Hollywood (Japan) K.K., a non wholly-owned subsidiary of the Company.
- (vii) On 28th March, 2003, the Company entered into a placing agreement with a placing agent and two subscription agreements with ITC and Strategic Media International Limited (“Strategic Media”), whereby the placing agent conditionally agreed, on a best effort basis, to place up to a maximum of 300,000,000 new shares at a price of HK\$0.04 per new share and ITC and Strategic Media agreed to subscribe 500,000,000 and 1,100,000,000 new shares, respectively, at a price of HK\$0.04 per new share. Upon the completion of the aforesaid agreements, the Company issued a total of 1,900,000,000 new shares.

The issue of 500,000,000 new shares by the Company to ITC under the ITC subscription constituted a connected transaction for the Company under the Listing Rules. The transaction was duly approved by independent shareholders of the Company in a special general meeting held on 5th May, 2003.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group paid legal and professional fees of approximately HK\$40,000 for services rendered by a firm of solicitors, Vincent T.K. Cheung, Yap & Co., in which Mr. Au Chun Kwok, Augustus, an independent non-executive director of the Company, is a partner.

Save as disclosed above and under the heading “Connected Transactions”, there were no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales and purchase attributable to the Group's five largest customers and suppliers were less than 30% of the Group's turnover and cost of sales, respectively.

DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES

The total value of the amounts due from the Group's affiliated companies in respect of advances made by the Group was approximately HK\$33,578,000 as at 31st March, 2003, representing approximately 60% of the net tangible asset value of the Group as set out in the consolidated balance sheet on pages 23 and 24. Details of which are set out in notes 21, 22 and 29 to the financial statements.

The proforma combined balance sheet of these affiliated companies, to which advances are given, at 31st March, 2003 is as follows:

	<i>HK\$'000</i>
Non-current assets	223,428
Current assets	114,235
Current liabilities	(118,301)
Non-current liabilities	(338,421)
	<u>(119,059)</u>
Group's proforma attributable interests	<u>(60,470)</u>



Directors' Report

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefit schemes are set out in note 48 to the financial statements.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31st March, 2003, neither the Company nor any of its subsidiaries had repurchased, redeemed or sold any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year.

AUDIT COMMITTEE

The Company has established an audit committee in April 1999 with written terms of reference based on the guidelines set out in "A Guide for the Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The primary duties of the audit committee are to review and supervise the financial process and internal control procedures of the Group. The audit committee comprises two independent non-executive directors, namely, Messrs. Au Chun Kwok, Augustus and Lam Tak Shing.

POST BALANCE SHEET EVENT

Details of significant post balance sheet event are set out in note 53 to the financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Tam Wing Lun, Alan
Chairman

Hong Kong, 17th July, 2003