

DIRECTORS' REPORT

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The Directors present their annual report and the audited financial statements for the year ended 31st December, 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its jointly controlled entities and subsidiaries are set out in notes 15 and 33 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 20 of the financial statements.

The directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$4,488,000 on new plant, machinery and equipment.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 22 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 24 to the financial statements and the consolidated statement of changes in equity of the Group on page 23 in the annual report respectively.

JOINTLY CONTROLLED ENTITIES

During the year, the Group acquired a 40% equity interest in Prosper China Limited, a company incorporated in the British Virgins Islands. Prosper China Limited in turn holds a 100% interest in 北京東方新青年文化發展有限公司 which is engaged in the provision of cultural education courses.

DIRECTORS' REPORT

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DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Wong Pak Ming (*Chairman*)

Ms. Wong Kit Chun, Jenny

Ms. Wong Kit Fong

Mr. Ko Tin Chow

Non-executive director:

Mr. Wan Ngar Yin, David (*Deputy Chairman*)

Independent non-executive directors:

Mr. Tang Kai Kui, Terence

Mr. Hou Lee Tsun, Laurence

Mr. Wong Hon Ching, San Stephen

(appointed on 21st March, 2002)

(resigned on 7th March, 2002)

In accordance with Articles 87(1) of the Company's Bye-laws, Mr. Wan Ngar Yin, David and Mr. Ko Tin Chow will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each of the independent non-executive directors is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

Each of the executive directors has entered into a service contract with the Company for an initial term of two years which commenced on 1st September, 2001 and continues thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

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DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 2002, the interests of the directors, the chief executive and their associates in the securities of the Company and its associated corporation as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Type of interest	Number of shares
Mr. Wong Pak Ming ("Mr. Wong")	Corporate (<i>Note</i>)	152,200,000
Mr. Wan Ngar Yin, David	Personal	4,242,000
Ms. Wong Kit Chun, Jenny	Personal	1,350,000
Ms. Wong Kit Fong	Personal	7,132,000
Mr. Ko Tin Chow	Personal	200,000
		<u>165,124,000</u>

Note: These shares are held as to 30,000,000 shares by Capeland Holdings Limited and 122,200,000 shares by Idea Storm Holdings Limited, both companies are incorporated in the British Virgin Islands and are wholly-owned by Mr. Wong beneficially.

Save as disclosed above, at 31st December, 2002, none of the directors, the chief executive or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed under the heading "Share Options", at no time during the year was the Company or any of 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 debt securities (including debentures) of, the Company or any other body corporate, and none of the directors 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 during the year.

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SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 23 to the financial statements:

The following table discloses movements in the Company's share options during the year:

	Outstanding at beginning of year	Exercised during the year	Outstanding at end of year
Selected employees	<u>30,000,000</u>	<u>30,000,000</u>	<u>–</u>

The closing price of the Company's shares immediately before 10th May, 2002, the date on which the options were exercised, was HK\$1.62.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, the register of substantial shareholders maintained under Section 16 (1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more in the share capital of the Company:

Name of shareholder	Number of ordinary shares held	Approximate percentage of issued share capital
Mr. Wong	152,200,000 (<i>Note</i>)	46.12%

Note: These shares are held as to 30,000,000 shares by Capeland Holdings Limited and 122,200,000 shares by Idea Storm Holdings Limited, both of which are incorporated in the British Virgin Islands and are wholly-owned by Mr. Wong beneficially.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st December, 2002.

DIRECTORS' REPORT

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DIRECTORS' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year, certain transactions that have been entered into by the Group constituted connected transactions under the Listing Rules. Details are set out below:

1. Rental expenses

During the year, the Group paid rental expenses of HK\$500,000 and HK\$52,000 respectively to Pure Project Limited and Mandarin Recording Studio Limited, in which Mr. Wong has beneficial interests. The rentals are agreed after negotiation between both parties and on the basis of estimated market value as determined by the directors of the Company.

2. Agency fees

During the year, the Group paid agency fees of HK\$413,462 to 廣州東影影視出品有限公司 (“Tung Ying”). A brother of Mr. Wong has a beneficial interest in this company. The agency fees are charged by Tung Ying at the agreed terms of 10% of the distribution income generated by Tung Ying on behalf of the Group, in which it acted as an agent to generate that income.

Save as disclosed above, no contract 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, subsisted at the end of the year or at any time during the year.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

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.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 30 to the financial statements.

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MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for 15% and 31% respectively of the Group's total purchases for the year.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors own more than 5% of the Company's share capital) has any interest in the Group's five largest customers and suppliers.

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

Wong Pak Ming

Chairman

Hong Kong, 11th April, 2003