

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30th June, 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 32, 15 and 16 to the financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest suppliers of the Group together accounting for approximately 59% of the Group's total purchases for the year, with the largest supplier accounting for approximately 27% of the Group's total purchases. During the year, the aggregate turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

At no time during the year, did a director or a shareholder of the Company which to the knowledge of the directors own more than 5% of the Company's share capital has an interest in any of the Group's five largest suppliers.

RESULTS

The results of the Group for the year ended 30th June, 2003 are set out in the consolidated income statements on page 13.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 49.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 11 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital and share options of the Company are set out in note 23 to the financial statements.

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Savio Kwong Chi Shing
Bruce Cheung Kang Tong
Fung See Man
Jackson Kung Ming Foo (appointed on 22nd January, 2003)
Lincoln Chee Wang Jin (resigned on 26th August, 2002)

Non-executive directors:

Liu Cho Chit
Ngai Wah Sang (resigned on 22nd January, 2003)

Independent non-executive directors:

Gerald Godfrey
Michael Kan Yuet Yun

In accordance with Article 86(B) of the Company's articles of association, Mr. Jackson Kung Ming Foo retired and was re-appointed as a director at the annual general meeting of the Company held on 9th December, 2003.

In accordance with Articles 87 and 88 of the Company's articles of association, Mr. Savio Kwong Chi Shing and Mr. Michael Kan Yuet Yun retired and were re-elected as directors at the annual general meeting of the Company held on 9th December, 2003.

None of the directors being re-appointed or re-elected at the aforesaid annual general meeting has a 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.

The term of office of independent non-executive directors are subject to re-appointment or retirement by rotation in accordance with Articles 86(B), 87 and 88 of the Company's articles of association.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

At 30th June, 2003, the interests and short positions of the directors and their associates in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) **Shares**

Ordinary shares of HK\$0.02 each of the Company

Long Positions

Name of director	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Liu Cho Chit	Held by controlled corporation (<i>Note 1</i>)	5,507,000	0.30
Savio Kwong Chi Shing	Beneficial owner	12,908,000	0.70
Michael Kan Yuet Yun	Beneficial owner	750,000	0.04
Michael Kan Yuet Yun	Held by family (<i>Note 2</i>)	100,000	0.01
Jackson Kung Ming Foo	Held by family (<i>Note 3</i>)	800,000	0.04

Notes:

1. Liu Cho Chit beneficially owns 61% of the issued share capital of Lorong Chuan Development Pte. Limited. Lorong Chuan Development Pte. Limited beneficially owns 5,507,000 ordinary shares of the Company.
2. Michael Kan Yuet Yun is deemed to be interested in 100,000 ordinary shares of the Company, being the interests held beneficially by his family.
3. Jackson Kung Ming Foo is deemed to be interested in 800,000 ordinary shares of the Company, being the interests held beneficially by his family.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 30th June, 2003.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Cont'd)

(ii) Share options

Particulars of the share option schemes of the Company are set out in note 23 to the financial statements.

During the year ended 30th June, 2003, certain directors of the Company had personal interests in share options granted under the Company's share option scheme as follows:

Name of director	Date granted	Exercisable period	Exercise price per share HK\$	Consideration paid for the option granted HK\$	Number of shares option
Savio Kwong Chi Shing	16.06.1997	08.08.1997 to 07.08.2002	5.650	1.00	8,750,000
Savio Kwong Chi Shing	24.02.2000	24.03.2000 to 04.01.2003	0.422	1.00	9,000,000
Savio Kwong Chi Shing	04.09.2000	04.10.2000 to 04.01.2003	0.189	1.00	8,000,000
Bruce Cheung Kang Tong	04.09.2000	07.10.2000 to 04.01.2003	0.189	1.00	8,000,000
Fung See Man	24.02.2000	24.08.2000 to 04.01.2003	0.422	1.00	12,500,000
Fung See Man	04.09.2000	04.10.2000 to 03.10.2002	0.189	1.00	2,000,000
Lincoln Chee Wang Jin	04.09.2000	04.10.2000 to 04.01.2003	0.189	1.00	13,000,000

No share option was granted to or exercised by the directors during the year.

All the options granted had lapsed and the share option scheme of the Company had expired during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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 share in, or debenture 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.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Ordinary shares of HK\$0.02 each of the Company

Long positions

Name	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Worth Achieve Assets Limited	Beneficial owner	313,078,000	16.89
Jay Pok Say Cheng	(Note 1)	313,078,000	16.89
Tat Cheong Limited	Beneficial owner	270,000,000	14.57
Chen Shikang	(Note 2)	270,000,000	14.57
China Media International Group Limited	Beneficial owner	200,000,000	10.79
Sunny Xue	(Note 3)	200,000,000	10.79

Notes:

1. Mr. Jay Pok Say Cheng is interested by virtue of his beneficial interest in Worth Achieve Assets Limited.
2. Mr. Chen Shikang is interested by virtue of his beneficial interest in Tat Cheong Limited.
3. Mr. Sunny Xue is interested by virtue of his beneficial interest in China Media International Group Limited.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions representing 5% or more of the issued share capital of the Company as at 30th June, 2003.

CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance subsisted at any time during the year 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30th June, 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The members of the Audit Committee are Mr. Gerald Godfrey and Mr. Michael Kan Yuet Yun, both of whom are Independent Non-executive Directors. The Audit Committee Members have reviewed the interim and annual reports of the Group for the financial year under review and Audit Committee meetings were held twice during the financial year.

DIRECTORS' REPORT

AUDITORS

During the period ended 30th June, 2002, Messrs. Ernst & Young, who acted as auditors of the Company for the year ended 31st March, 2001, resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

Messrs. Deloitte Touche Tohmatsu retired and a resolution was passed at the annual general meeting of the Company held on 9th December, 2003 for their re-appointment.

On behalf of the board

Fung See Man
Chief Operations Officer

Hong Kong, 9th January, 2004