

DIRECTORS' REPORT

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The Directors present their annual report and the audited financial statements for the year ended 31st December, 2003.

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 34 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2003 are set out in the consolidated income statement on page 24 of the annual report.

The directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$780,000 on additions of 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 the company's share capital are set out in note 23 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 25 to the financial statements and the consolidated statement of changes in equity of the Group on page 27 of the annual report respectively.

JOINTLY CONTROLLED ENTITIES

During the year, the Group acquired a 37.5% equity interest in 浙江東方國際發展有限公司, a Chinese-foreign joint venture incorporated in the People's Republic of China ("PRC") which is engaged in hotel operation in the PRC.

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 Fong
Ms. Wong Yee Kwan, Alvina (appointed on 1st September, 2003)
Ms. Wong Kit Chun, Jenny (resigned on 31st August, 2003)
Mr. Ko Tin Chow (resigned on 31st August, 2003)

Non-executive directors:

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

Independent non-executive directors:

Mr. Hou Lee Tsun, Laurence
Mr. Lai Voon Wai (appointed on 1st September, 2003)
Mr. Tang Kai Kui, Terence (resigned on 31st August, 2003)

In accordance with Article 87(1) of the Company's Bye-laws, Ms. Wong Kit Fong will retire by rotation and in accordance with Article 86(2) Ms. Wong Yee Kwan, Alvina and Mr. Lai Voon Wai will retire at the forthcoming annual general meeting and, they 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 except for Ms. Wong Yee Kwan, Alvina which commenced on 1st September, 2003 and all of which continue 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).

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

As at 31st December, 2003, 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 SFO or as otherwise notified to the Company and 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:

<u>Name of director</u>	<u>Name of Company</u>		<u>Type of interest</u>	<u>Number of shares</u>
Mr. WONG Pak Ming ("Mr. WONG")	the Company	Long position	Corporate (<i>Note 1</i>)	152,200,000
		Long position	Personal	986,000
Mr. WAN Ngar Yin, David	the Company	Long position	Personal	4,242,000
Mr. WONG Kit Fong	the Company	Long position	Personal	7,232,000
Miss WONG Yee Kwan, Alvina	the Company	Long position	Personal	2,606,000

Note:

1. These shares are held as to 30,000,000 shares by Capeland Holdings Limited and as to 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.

Save as disclosed above, as at 31st December, 2003, none of the directors, the chief executive or their associates had any interests or short positions in any shares or underlying shares in, or debentures of, the Company or its associated corporation as defined in SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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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.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 24 to the financial statements.

No share options were granted during the year and no share options were outstanding as at 31st December, 2003.

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

As at 31st December, 2003, the register of substantial shareholders maintained by the Company under Section 336 of SFO showed that the following persons had interests in 5% or more of the nominal value of the issued ordinary shares of the Company that carry a right to vote in all circumstances at general meetings of the Company:-

<u>Name</u>	<u>Type of interest</u>	<u>Number of shares held</u>
Mr. WONG	Corporate (<i>Note 1 and 2</i>)	152,200,000 (Long position)
	Personal (<i>Note 2</i>)	986,000 (Long position)
Mr. Zhang Xun	Personal	34,936,000 (Long position)

Note:

1. These shares are held as to 30,000,000 shares by Capeland Holdings Limited and as to 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.
2. Accordance to SFO, Mr. WONG's spouse is also deemed to be interested in these 152,200,000 shares and 986,000 shares of the Company.

Save as disclosed above, the Company had not been notified of any other interests representing 5% or more of the nominal value of the issued ordinary shares of the Company that carry a right to vote in all circumstances at general meetings of the Company.

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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:

During the year, the Group paid agency fees of HK\$81,000 to 廣州東影影視出品有限公司 (“Tung Ying”) in which a brother of Mr. Wong has a beneficial interest. 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.

The Group made unsecured, non-interest bearing advance in the aggregate amount of approximately HK\$343,000 to 廣州智理廣告有限公司, a non wholly-owned subsidiary of the Company, and the amount remained outstanding at 31st December, 2003.

During the year, the Group paid film production and distribution consultancy fee of HK\$270,000 to a brother of Mr. Wong.

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, 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

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 EVENT

Details of a significant event occurring after the balance sheet date are set out in note 31 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 27% and 48% 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, 15th April, 2004