

# DIRECTORS' REPORT

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 activities of its principal subsidiaries, associate and jointly controlled entity are set out in notes 16, 17 and 18 to the financial statements, respectively.

Details of the disposal and acquisitions of the Company's principal subsidiaries are set out in note 1 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 20.

The Company had no distributable reserve at 31st December, 2003 and the payment of a final dividend for the year ended 31st December, 2003 is not recommended by the directors.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 24 of the annual report and note 26 to the financial statements, respectively.

## INVESTMENT PROPERTIES

The Group's investment properties were revalued at 31st December, 2003 by an independent firm of professional property valuers on an open market value basis at HK\$52,000,000. The surplus arising on revaluation of HK\$2,000,000 has been credited to the consolidated income statement.

Details of this movement in the investment properties of the Group during the year are set out in note 13 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group disposed of certain land and buildings and plant and machineries with net book values of HK\$110,398,000 and HK\$119,911,000, respectively as a result of the disposal of subsidiaries.

In addition, the Group acquired certain land and buildings, plant and machineries and construction in progress of HK\$142,991,000, HK\$123,542,000 and HK\$32,029,000, respectively through the acquisition of subsidiaries.

In addition, the directors have also carried out a re-assessment of the recoverable amounts of the Group's plant and machinery and an impairment loss on these assets of HK\$4,750,000 was recognised during the year.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive directors:

Suen Cho Hung, Paul (*Chairman*)

Li Zhicai (*Managing Director*) (appointed on 18th March, 2003)

Lau Yuen Sun, Adrian

Wang Ai Ping

Cao Jian An

Ling Wai Kwan, Eric (resigned on 6th January, 2003)

### Independent non-executive directors:

Sun Ka Ziang, Henry

Kwok Ming Fai

With effect from 30th July, 2003, Mr. Suen Cho Hung, Paul retired as the managing director and Mr. Li Zhicai was appointed as the managing director of the Company.

In accordance with Article 105 of the Company's Articles of Association, Mr. Suen Cho Hung, Paul, Mr. Sun Ka Ziang, Henry and Mr. Kwok Ming Fai will retire at the forthcoming annual general meeting by rotation and, being eligible, offer themselves for re-election.

# DIRECTORS' REPORT

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(Continued)*

None of the directors being proposed for re-election at the forthcoming 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.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2003, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, 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") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Suen Cho Hung, Paul	Interest held by controlled corporation ( <i>note</i> )	358,157,745	29.5%

*Note:* These shares are beneficially owned by Top Media Resources Limited, a company which is wholly owned by All Sino Resources Limited which in turn is wholly owned by Mr. Suen Cho Hung, Paul.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31st December, 2003, as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEME

Pursuant to the terms of the share option scheme (the "Scheme") adopted by the Company on 19th June, 2001, the Company may grant options to executive directors and employees of the Company or its subsidiaries to subscribe for shares in the Company. The primary purpose of the Scheme is to provide incentives to eligible employees of the Group by offering them an opportunity to participate in the growth of the Group.

There were no options granted during the year and no options were outstanding as at 1st January, 2003 and 31st December, 2003.

Details of the Scheme are set out in note 27 to the financial statements.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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 acquisition of shares in, or debentures of the Company or any other body corporate.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st December, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the share capital of the Company:

Name of shareholders	Capacity (note)	Number of ordinary shares held	Percentage of the issued share capital of the Company
Top Media Resources Limited	Beneficial owner	358,157,745	29.5%
All Sino Resources Limited	Interest held by controlled corporation	358,157,745	29.5%
Suen Cho Hung, Paul	Interest held by controlled corporation	358,157,745	29.5%

*Note:* Top Media Resources Limited is wholly owned by All Sino Resources Limited which in turn is wholly owned by Mr. Suen Cho Hung, Paul. Accordingly, Mr. Suen Cho Hung, Paul and All Sino Resources Limited are deemed to be interested in 358,157,745 shares of the Company under the SFO.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31st December, 2003 as required pursuant to Section 336 of the SFO.

# DIRECTORS' REPORT

## CONNECTED TRANSACTIONS

Details of the discloseable connected transactions of the Group during the year are set out in note 35 to the financial statements.

Save as disclosed in note 35 to the financial statements, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No 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, subsisted at the end of the year or at any time during the year.

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

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

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total sales and purchases for the year, respectively.

## CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 31st December, 2003 with the Code of Best Practice as set out in Appendix 14 to the Listing Rules except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's Articles of Association.

## POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 36 to the financial statements.

## ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 18th June, 2004. Notice of the Annual General Meeting will be published and despatched to shareholders in due course.

## AUDITORS

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

On behalf of the Board

**Suen Cho Hung, Paul**

*Chairman*

Hong Kong, 26th April, 2004