

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st March 2004.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 31 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 27.

The directors have declared an interim dividend of HK2 cents per ordinary share, totalling HK\$7,893,000 which was paid on 7th January 2004. The directors recommend the payment of a final dividend of HK3 cents per ordinary share, totalling HK\$11,921,000 and a special dividend of HK1 cent per ordinary share, totalling HK\$3,973,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

FIXED ASSETS

Movements in the fixed assets of the Group are set out in note 11 to the accounts.

SHARE CAPITAL

Movements in the share capital of the Company are set out in note 20 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2004, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK\$513,834,000 (2003: HK\$530,262,000).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 72.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Tan Sri Datuk TIONG Hiew King (*Chairman*)

Mr TIONG Kiu King

Dr TIONG Ik King

Mr TIONG Kiew Chiong

* Mr TANG Ying Yu

* Mr David YU Hon To

* *independent non-executive directors*

In accordance with bye-laws 99(A) and 182(iv) of the Company's bye-laws, Mr TIONG Kiew Chiong and Mr David YU Hon To retire by rotation and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Tan Sri Datuk TIONG Hiew King, aged 70, has been the Chairman of the Company since October 1995. Tan Sri Datuk TIONG Hiew King has extensive experience in a number of industries including timber, newspaper publishing and property development and investment.

Mr TIONG Kiu King, aged 69, has been an executive director of the Company since October 1995. Mr TIONG graduated with a Diploma in Civil Engineering from Tak Ming College in Hong Kong in 1964. He is a brother of Tan Sri Datuk TIONG Hiew King.

Dr TIONG Ik King, aged 53, has been an executive director of the Company since October 1995. Dr TIONG graduated with a M.B.B.S. Degree from the National University of Singapore in 1975 and obtained a M.R.C.P. from the Royal College of Physicians in the United Kingdom in 1977. He is a brother of Tan Sri Datuk TIONG Hiew King.

Mr TIONG Kiew Chiong, aged 44, joined the Company as an executive director on 2nd May 1998. Mr TIONG graduated with a Bachelor of Business Administration Degree from York University, Toronto, Canada in 1982.

Mr TANG Ying Yu, aged 59, has been an independent non-executive director of the Company since April 1995. Mr TANG is a civil engineer and acts as the managing director of both Southern Petroleum Company Limited and Wan Lai Company Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (cont'd)

Mr David YU Hon To, aged 56, was appointed as an independent non-executive director of the Company on 30th March 1999. Mr YU is a fellow of the Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Society of Accountants. He was a partner of an international accounting firm with extensive experience in corporate finance. Mr YU is a founder and director of Management Capital Limited, which specialises in direct investment and financial advisory activities and also on the board of several listed companies in Hong Kong.

Note: Various aspects of the Group's businesses are respectively under the direct responsibility of the four directors holding executive offices of the Company as named above. These executive directors are regarded as members of the Group's senior management.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to paragraph 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), the Company discloses that during the year, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King, directors of the Company, held directorships in Sin Chew Media Corporation Bhd (formerly known as Pemandangan Sinar Sdn Bhd) ("SCMC") which is engaged in the business of newspaper publishing in Malaysia.

As the board of directors of the Company is independent of the board of SCMC, the Group operates its business independently of, and at arm's length from, the business of SCMC.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are 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.

SHARE OPTION SCHEME

Pursuant to a Share Option Scheme ("the Scheme") approved at the Special General Meeting of the Company held on 21st August 2001 and for the primary purpose of providing incentive to full time employees, the directors of the Company may at their discretion invite full time employees including executive directors of the Company and its subsidiaries to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

SHARE OPTION SCHEME (cont'd)

(a) Summary of terms:

The maximum individual entitlement of options shall not exceed 25% of the maximum aggregate number of shares in the capital of the Company in respect of which options may at that time be granted under the Scheme. The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme may not exceed 10% of the issued share capital of the Company from time to time excluding (i) any shares which have been duly allotted and issued pursuant to the Scheme and other schemes; and (ii) any pro-rata entitlements to further shares issued in respect of those shares mentioned in (i). The Scheme will remain valid for a period of ten years commencing on 21st August 2001 after which period no further options will be offered. The offer of a grant of share option may be accepted within 28 days from the date of offer upon payment of a nominal consideration of HK\$1.00 by the grantee. Options granted are exercisable within ten years after the date of grant or ten years after the adoption date of the Scheme (i.e. 20th August 2011), whichever is earlier.

Pursuant to the Listing Rules' new requirements governing share option schemes which came into effect on 1st September 2001, certain provisions of the Scheme are no longer applicable which include the basis of determining the subscription price. According to the Listing Rules, the share subscription price will be determined as the highest of (i) the nominal value of the shares of the Company, (ii) the average of the closing prices of the shares of the Company as stated in the daily quotation sheet by The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on the five trading days immediately preceding the granting of the option, and (iii) the closing price of the shares of the Company as stated in the daily quotation sheet by the Stock Exchange on the date of grant of the share options.

SHARE OPTION SCHEME (cont'd)

(b) During the year, movements of the share options granted under the Scheme are as follows:

Grantees	Number of shares involved in share options				Balance at 31st March 2004	Percentage of issued ordinary shares at 31st March 2004	Exercise price per share HK\$	Date of grant	Exercisable period
	Balance at 1st April 2003 <i>(note 1)</i>	Granted during the year <i>(note 1)</i>	Exercised during the year <i>(note 2)</i>	Lapsed during the year <i>(note 2)</i>					
Directors:									
Tan Sri Datuk TIONG Hiew King	300,000	-	-	-	300,000	0.076%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Tan Sri Datuk TIONG Hiew King	-	300,000	-	-	300,000	0.076%	1.800	15/09/2003	16/09/2003 – 20/08/2011
Mr TIONG Kiu King	300,000	-	-	-	300,000	0.076%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Mr TIONG Kiu King	-	300,000	-	-	300,000	0.076%	1.800	15/09/2003	16/09/2003 – 20/08/2011
Dr TIONG Ik King	300,000	-	-	-	300,000	0.076%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Dr TIONG Ik King	-	300,000	-	-	300,000	0.076%	1.800	15/09/2003	16/09/2003 – 20/08/2011
Mr TIONG Kiew Chiong	300,000	-	-	-	300,000	0.076%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Mr TIONG Kiew Chiong	-	300,000	-	-	300,000	0.076%	1.800	15/09/2003	16/09/2003 – 20/08/2011
	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>2,400,000</u>	<u>0.608%</u>			
Full time employees	4,275,000	-	(1,959,000)	(529,000)	1,787,000	0.449%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Full time employees	-	4,151,000	(3,051,000)	-	1,100,000	0.276%	1.320	29/08/2003	30/08/2003 – 20/08/2011
Total	<u>5,475,000</u>	<u>5,351,000</u>	<u>(5,010,000)</u>	<u>(529,000)</u>	<u>5,287,000</u>	<u>1.333%</u>			

SHARE OPTION SCHEME (cont'd)

(b) During the year, movements of the share options granted under the Scheme are as follows: (cont'd)

Notes:

- (1) 4,151,000 share options and 1,200,000 share options were granted on 29th August 2003 and 15th September 2003 respectively. The closing prices of the shares of the Company immediately before the dates on which the above share options were granted were HK\$1.25 and HK\$1.80 respectively. The consideration paid by each grantee for the share options granted was HK\$1.00.
- (2) During the year, 1,959,000 shares and 3,051,000 shares of HK\$0.10 each were issued at HK\$1.592 per share and HK\$1.32 per share respectively as a result of the exercise of the Company's share options. The weighted average of the closing prices of the Company's shares immediately before the dates on which the above share options were exercised was HK\$1.99. During the year, 529,000 share options have lapsed by reason of the grantees ceasing to be full time employees of the Company and its subsidiaries.
- (3) The directors are of the view that the value of the share options granted during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical bases and speculative assumptions. Accordingly, the directors believe that any calculation of the value of the share options will not be meaningful and may be misleading to shareholders in the circumstances.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's businesses to which the Company, its subsidiaries, its holding company or its fellow 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.

PARTICULARS OF INTERESTS HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

At 31st March 2004, the interests of the directors, chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under 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") are as follows:

Name of director	Number of shares/underlying shares held				Interests in underlying shares pursuant to share options (note 2)	Aggregate interests	Percentage of issued ordinary shares at 31st March 2004
	Personal interests	Family interests	Corporate interests (note 1)	Total interests in shares			
Tan Sri Datuk							
TIONG Hiew King	150,000	-	252,487,700	252,637,700	600,000	253,237,700	63.73%
Dr TIONG Ik King	-	-	252,487,700	252,487,700	600,000	253,087,700	63.69%
Mr TIONG Kiu King	611,000	147,000	-	758,000	600,000	1,358,000	0.34%
Mr TIONG Kiew Chiong	1,200,000	-	-	1,200,000	600,000	1,800,000	0.45%

Notes:

- (1) The corporate interests of Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King in the Company was jointly held through Conch Company Limited ("Conch") which holds 252,487,700 shares of the Company. 40% of the interest in Conch is held by Seaview Global Company Limited, a company jointly owned by Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King. In addition, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King directly hold 25% and 22% of the interest in Conch respectively.
- (2) These represent share options granted by the Company to the following directors under the Share Option Scheme to subscribe for shares of the Company.

Save as disclosed above and those disclosed under "Share Option Scheme", at 31st March 2004, none of the directors, chief executives and their associates had any interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Apart from the Share Option Scheme, at no time during the year were rights to acquire benefits by means of the acquisition of shares, underlying shares or debentures of the Company granted to any directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or its holding company or any its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st March 2004, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares held	Percentage of issued ordinary shares at 31st March 2004
Conch Company Limited (<i>note 1</i>)	252,487,700	63.54%
Dr Louis CHA (<i>note 2</i>)	40,463,400	10.18%

All the interests stated above represent long positions in the shares of the Company.

Notes:

- (1) Conch Company Limited ("Conch") owns 252,487,700 shares of the Company. 40% of the interest in Conch is held by Seaview Global Company Limited, a company jointly owned by Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King. In addition, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King directly hold 25% and 22% of the interest in Conch respectively.
- (2) Dr Louis CHA beneficially owns 38,798,400 shares of the Company and Snowdrop Limited, a company wholly owned by Dr Louis CHA, owns 1,665,000 shares of the Company.

Save as disclosed above and those disclosed under "Particulars of Interests held by Directors, Chief Executives and Associates", the Company had not been notified of any other interests representing 5% or more of the issued share capital of the Company at 31st March 2004.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PENSION SCHEME ARRANGEMENT

The Group operates a hybrid retirement benefit scheme (“the Scheme”) and a Mandatory Provident Fund Scheme (“MPF”) for its employees in Hong Kong. Overseas employees are under separate pension schemes which are defined contribution plans set up in the countries that the Group operates. The assets of all retirement plans are held separately from those of the Group in independently administered funds. The defined benefit plans and defined contribution plans are generally funded by payments from the relevant Group companies and/or employees.

During the year, the Scheme was funded by contributions from both the employees and the Group at 5% and 4% of the monthly basic salaries of the employees respectively. Forfeited employers’ contributions arising from early termination of services by employees are credited to a forfeiture reserve for the purpose of covering any shortfall on the defined benefit plans. The total amount available for such purpose amounted to HK\$15,531,000 at 31st March 2004 (2003: HK\$12,280,000).

The most recent independent actuarial valuation of the Scheme (“the Valuation”) was carried out at 1st January 2004 by Watson Wyatt Hong Kong Limited, a professionally qualified independent actuary. According to the Valuation, the Scheme was solvent at the date of the Valuation.

With effect from 1st December 2000, all new joiners of the Group are eligible to join the MPF. The Group’s contributions to the MPF are at 5% of the employees’ relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month (“MPF Contributions”). The MPF Contributions are fully and immediately vested in the employees as accrued benefit once they are paid.

EMPLOYEES

As at 31st March 2004, the Group has approximately 1,400 employees, the majority of whom are employed in Hong Kong. The Group remunerates its employees based on industry practice and performance of individual employees. The Group also adopts a share option scheme for its staff of senior grade.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s bye-laws and there is no restriction against such rights under the laws in Bermuda.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Code of Best Practice has been complied with by the Company throughout the year ended 31st March 2004 except that non-executive directors were not appointed for a specific term as recommended under the guidelines set out in Appendix 14 of the Listing Rules. According to the Company's bye-laws 182(iv), directors, including independent non-executive directors, shall retire by rotation at annual general meetings and, being eligible, offer themselves for re-election where their re-appointments are reviewed. In the opinion of the board of directors, this meets the same objective of the Code of Best Practice.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. The committee comprises two independent non-executive directors, namely Mr TANG Ying Yu and Mr David YU Hon To. Two meetings were held during the current financial year.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

TIONG Kiew Chiong

Chairman

Hong Kong, 19th July 2004