

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31st December, 2004.

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, 2004 are set out in the consolidated income statement on page 21 of the annual report.

The directors do not recommend the payment of any dividend for the year ended 31st December, 2004.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$353,000 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 under review, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

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 24 of the annual report respectively.

DIRECTORS' REPORT

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

Non-executive directors:

Mr. Wan Ngar Yin, David (*Deputy Chairman*) (re-designated as Independent non-executive director on 10th September 2004)

Independent non-executive directors:

Mr. Lai Voon Wai
Mr. Wan Ngar Yin, David (re-designated on 10th September, 2004)
Mr. Alan Woo (appointed on 1st November, 2004)
Mr. Hou Lee Tsun, Laurence (resigned on 1st November, 2004)

In accordance with Article 87(1) of the Company's Bye-laws, Mr. Wan Ngar Yin, David will retire by rotation and in accordance with Article 86(2) Mr. Alan Woo 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).

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

As at 31st December, 2004, the interests and short positions of each director and chief executive and their associates 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 pursuant to Section 352 of 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") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions

Name of director	Capacity	Number of issued ordinary shares held (<i>Note 1</i>)	Approximate percentage of shareholding of the issued share capital of the Company
Mr. WONG Pak Ming ("Mr. Wong")	Held by controlled corporations (<i>Note 2</i>)	152,200,000 (long position)	46.1%
	Beneficial owner	1,332,000 (long position)	0.4%
	Held by spouse	1,200,000 (long position)	0.4%
		154,732,000 (long position)	46.9%
Mr. WAN Ngar Yin, David	Beneficial owner	3,292,000 (long position)	1.0%
Ms. WONG Kit Fong	Beneficial owner	7,232,000 (long position)	2.2%
Ms. WONG Yee Kwan, Alvina	Beneficial owner	2,606,000 (long position)	0.8%

Notes:

1. Share of HK\$0.10 each in the capital of the Company.
2. These 154,732,000 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, and as to 1,332,000 shares held by Mr. Wong personally, and as to the remaining 1,200,000 shares held by Mr. Wong's wife in which Mr. Wong is also deemed to be interested.

Save as disclosed above, as at 31st December, 2004, 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 any of its associated corporations as defined in SFO as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

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, 2004.

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

As at 31st December, 2004, the register of substantial shareholders maintained by the Company under Section 336 of SFO showed that the following persons had interest 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.

Long positions

Name	Capacity	Number of issued ordinary shares held (<i>Note 1</i>)	Approximate percentage of shareholding of the issued share capital of the Company
Mr. Wong	Held by controlled corporations (<i>Note 2</i>)	152,200,000 (Long position)	46.1%
	Beneficial owner	1,332,000 (Long position)	0.4%
	Held by spouse (<i>Note 3</i>)	1,200,000 (Long position)	0.4%
		<u>154,732,000 (Long position)</u>	<u>46.9%</u>
Mr. ZHANG Xun	Beneficial owner	<u>34,936,000 (Long position)</u>	<u>10.6%</u>

Notes:

1. Share of HK\$0.10 each in the capital of the Company.
2. These 154,732,000 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, and as to 1,332,000 shares held by Mr. Wong personally, and as to the remaining 1,200,000 shares held by Mr. Wong's wife in which Mr. Wong is also deemed to be interested.
3. Accordance to SFO, Mr. Wong's spouse is also deemed to be interested in the shares held by Mr. Wong or in which he is interested.

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

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 consultancy services fee and agency fees of HK\$270,000 and HK\$163,000 respectively 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 5-10% 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 independent non-executive directors confirm that the transactions were conducted on normal commercial terms and in accordance with the terms of the agreements governing such transactions that are in the interests of the shareholders of the Company as a whole.

The auditors of the Company have confirmed that the transactions have been approved by the board of directors and are entered into in accordance with the agreements governing such transactions and did not exceed the cap stated in the relevant announcements.

At 31st December, 2004, the Group maintained a loan from Mr. Zhang Xun, a substantial shareholder in the amount of HK\$8,290,000 (2003: HK\$10,000,000). The loan bears interest at 1% per annum and will be repayable on or before 12th December, 2005. Subsequent to 31st December, 2004, the loan was further extended and will be repayable on or before 1st January, 2007.

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.

DIRECTORS' REPORT

PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANY

As at the balance sheet date, the advances made to a jointly controlled entity in the amount of HK\$10,927,000, represents approximately 8.8% of the total asset value of the Group before the respective allowance. Pursuant to Rule 13.16 of the Listing Rules, a proforma combined balance sheet of the affiliated company as at 31st December, 2004 is presented below:

	HK\$'000
Non-current assets	274
Current assets	1,587
Current liabilities	(702)
Net current assets	885
Shareholders' funds	1,159

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three existing independent non-executive directors of the Company, namely Mr. Wan Ngar Yin, David, Mr. Lai Voon Wai and Mr. Alan Woo.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to January 2005.

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules regarding securities transactions by directors. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code during the year under review.

The Company confirmed that it has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to rule 3.13 and the Company still considers the independent non-executive directors to be independent.

EMOLUMENT POLICY

The Group remunerates its employees including the directors, based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidized training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their expertise and job specifications.

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.

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 13% and 36% 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the ordinary shares in public exceed 25% as at 19th April, 2005, being the latest practicable date to ascertain such information prior to the issue of this annual report.

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, 19th April, 2005