

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

## 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 18.

The Company had no distributable reserve at 31st December, 2004 and the directors do not recommend the payment of a final dividend for the year ended 31st December 2004.

## 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 21 of the annual report and in note 29 to the financial statements, respectively.

## INVESTMENT PROPERTIES

The Group's investment properties were revalued at 15th November, 2004 by an independent firm of professional property valuers on an open market value basis at HK\$68,000,000.

The surplus arising on revaluation during the year amounted to HK\$15,582,000, of which HK\$6,216,000 has been credited to the consolidated income statement and the balance of HK\$9,366,000 has been credited to investment properties revaluation reserve.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment totalling approximately HK\$90,765,000 for the purpose of expanding the Group's operations.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 13 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*)

Cao Jian An

Sue Ka Lok (appointed on 9th August, 2004)

Wang Ai Ping (resigned on 9th August, 2004)

Lau Yuen Sun, Adrian (resigned on 31st August, 2004)

### *Independent non-executive directors:*

Sun Ka Ziang, Henry

Kwok Ming Fai

Wong Yun Kuen (appointed on 30th September, 2004)

In accordance with Articles 96 and 105 of the Company's Articles of Association, Mr. Li Zhicai, Mr. Cao Jian An, Mr. Sue Ka Lok and Dr. Wong Yun Kuen will retire at the forthcoming annual general meeting. Mr. Li Zhicai does not seek for re-election. Mr. Cao Jian An, Mr. Sue Ka Lok and Dr. Wong Yun Kuen, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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, 2004, 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 (the "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 Issuers (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.

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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, 2004, 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

The share option scheme of the Company was approved and adopted by the shareholders at the extraordinary general meeting held on 19th June, 2001 (the "2001 Scheme"). Pursuant to the terms of the 2001 Scheme, the Company may grant options to executive directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The primary purpose of the 2001 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 share options granted during the year ended 31st December, 2004 and there were no outstanding share options as at 1st January, 2004 and 31st December, 2004.

Further details of the 2001 Scheme are set out in note 30 to the financial statements.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" 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 shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the directors or their spouse or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

### DIRECTORS' INTERESTS IN CONTRACTS

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, subsisting at the end of the year or at any time during the year.

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

As at 31st December, 2004, the register of shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	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 had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31st December, 2004 as required pursuant to Section 336 of the SFO.

## 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 ended 31st December, 2004.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers in aggregate accounted for approximately 93% of the turnover of the Group and the largest customer accounted for approximately 48% of the turnover of the Group. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 63% of the Group's total purchases and purchases attributable to the Group's largest supplier were approximately 28% of the total purchases.

At no time during the year did a director, an associate of a director (within the meaning of the Listing Rules) or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) has an interest in any of the Group's five largest customers or suppliers.

## CORPORATE GOVERNANCE

The audited financial statements of the Company for the year ended 31st December, 2004 had been reviewed by the Audit Committee before they were duly approved by the Board of Directors under the recommendation of the Audit Committee.

## Directors' Report

In the opinion of the directors, the Company had complied throughout the year ended 31st December, 2004 with the Code of Best Practice as set out in Appendix 14 to the Listing Rules which was in force prior to 1st January, 2005 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.

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they had fully complied with the required standard set out in the Model Code throughout the year ended 31st December, 2004.

The Company has received, from each of its independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirm that the Company has maintained the public float of at least 25% of the Company's issued share capital as required under the Listing Rules as at the date of this report.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, no directors of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to Rule 8.10 of the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company.

### POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 41 to the financial statements.

### ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 20th June, 2005. 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, 25th April, 2005