

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st December 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 40 to the accounts.

An analysis of the Group's performance for the year by business and geographical segment is set out in note 6 to the accounts.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 31.

The directors do not recommend the payment of a dividend in respect of the year ended 31st December 2005.

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 100.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the accounts.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 30 to the accounts.

SHARE OPTIONS

A share option scheme (the "Option Scheme") was adopted by the Company on 30th July 2002. The purpose of the Option Scheme is to recognise and acknowledge the contributions of the Qualified Persons (as defined in the Option Scheme, including but not limited to, the directors, employees, partners and associates of the Group) to the Group.

Pursuant to this 10-year term Option Scheme, the Company can grant options to Qualified Persons for a consideration of HK\$1.00 for each grant payable by the Qualified Persons to the Company. The total number of the shares issued and to be issued upon exercise options granted to each Qualified Person (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue. Unless with shareholders' approval, the maximum number of options shares can be granted under the Option Scheme shall not exceed 277,429,315 shares, representing 10% of the total number of shares in issue at the time the Option Scheme was adopted.

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SHARE OPTIONS *(Continued)*

Subscription price in relation to each option pursuant the Option Scheme shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered to an Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of directors of the Company.

The Company did not grant any share options in 2005.

Details of the share options outstanding as at 31st December 2005 which have been granted under the scheme are as follows:

		Number of share options outstanding as at 1st January 2005	Number of share options granted during the year	Number of share options cancelled/ lapsed during the year	Number of share options exercised during the year	Number of share options outstanding as at 31st December 2005	Exercise period	Exercise price per share HK\$
Qualified person (excluding directors)	1/12/2004	277,400,000	—	—	—	277,400,000	1/1/2005 to 31/12/2009	0.054
		<u>277,400,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>277,400,000</u>		

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 31 to the accounts.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31st December 2005, calculated under the Companies Law (2002 Revision) (Cap. 22) of the Cayman Islands and the Company's Articles of Association, amounted in total to HK\$322,946,000 (2004: HK\$24,482,000), representing the amount standing to the credit of the share premium of HK\$447,208,000 (2004: HK\$172,353,000) plus the capital reserve of HK\$29,984,000 (2004: NIL) less the accumulated losses as at the date of HK\$154,246,000 (2004: HK\$147,871,000). The Company may make distributions to its members out of the share premium in certain circumstances.

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MAJOR SUPPLIERS AND MAJOR CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

— the largest supplier	70%
— five largest suppliers combined	90%

Sales

— the largest customer	48%
— five largest customers combined	85%

As far as the directors are aware, none of the directors, their associates or any shareholders (which to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the major suppliers or customers noted above.

DIRECTORS

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

Executive directors

Mr. Ko Chun Shun, Johnson (<i>Chairman</i>)	
Mr. Dong Ping	(appointed on 31st May 2005)
Mr. Shen Ka Yip, Timothy	(appointed on 14th March 2005)

Non-executive directors

Mr. Cheong Chow Yin	
Mr. Tsoi Tong Hoo, Tony*	

Independent non-executive directors

Mr. Wilton Timothy Carr Ingram	
Dr. Wong Yau Kar, David	
Mr. Yuen Kin	

* Mr. Tsoi was the Executive Director and Group Managing Director from 12th October 2004 to 14th March 2005.

In accordance with Articles 86(3) and 87(1) of the Company's Articles of Association, Mr. Dong Ping, Mr. Cheong Chow Yin and Dr. Wong Yau Kar, David will retire, and being eligible, offers themselves for re-election at the forthcoming annual general meeting. To comply with the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), Mr. Ko Chun Shun, Johnson as the Chairman will also retire and offer himself for reelection at the forthcoming annual general meeting.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Name	Age	Position held	Number of years of service	Business experience
Mr. Ko Chun Shun, Johnson	54	Chairman and Executive Director	12	Media, direct investment, and financial services
Mr. Dong Ping	45	Executive Director	1	Media
Mr. Shen Ka Yip, Timothy	44	Acting Chief Executive Officer and Executive Director	2	Corporate finance, investment, accounting
Mr. Tsoi Tong Hoo, Tony	41	Non-executive Director	2	Media and corporate finance
Mr. Cheong Chow Yin	50	Non-executive Director	6	Manufacturing
Mr. Wilton Timothy Carr Ingram	58	Independent Non-executive Director	10	Investment, brokerage and direct investment
Dr. Wong Yau Kar, David	48	Independent Non-executive Director	6	Manufacturing, international trade and corporate finance
Mr. Yuen Kin	51	Independent Non-executive Director	2	Finance and accounting

Senior management staff

Mr. Wang Yi	44	Vice President of Anglo Alliance Group	1	Media
Mr. Zhang Bin	40	Managing Director of Beijing Jiya Telecommunication Engineering Co. Limited	11	Telecommunication services, engineering and management
Mr. Ho Te Hwai, Cecil	45	Group Financial Controller	12	Finance and accounting
Mr. Chan Kam Kwan, Jason	33	Company Secretary	6	Accounting, corporate finance

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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 which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in the sections "Directors' and chief executives' interests in short positions in the shares, underlying shares and debentures of the Company or any associated corporation" and "Connected transactions" below, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding companies 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' AND CHIEF EXECUTIVES' INTERESTS IN THE SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31st December 2005, the interests of each director and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company under Section 352 of Part XV of SFO were as follows:

(A) Ordinary shares of HK\$0.01 each in the Company at 31st December 2005

Names	Note	Number of shares held			Total	% of the Issued Share Capital of the Company
		Personal interests	Family interests	Corporate interests		
Mr. Ko Chun Shun, Johnson ("Mr. Ko")	Long positions (i)	3,065,210,871	—	1,000,437,150	4,065,648,021	40.99
Mr. Dong Ping	Long positions	2,700,000,000	—	—	2,700,000,000	27.23

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

(B) Ordinary shares of HK\$0.10 in DVN (Holdings) Limited ("DVN") at 31st December 2005

Names	Note	Number of shares held			Total	% of the Issued Share Capital of DVN	
		Personal interests	Family interests	Corporate interests			
Mr. Ko	Long positions	(ii)	343,000	2,040,816	158,357,940	160,741,756	27.55

Notes:

(i) Kwan Wing Holdings Limited ("Kwan Wing") and Techral Holdings Limited ("Techral"), a subsidiary of Kwan Wing, beneficially owned 360,399,000 and 640,038,150 ordinary shares in the Company, respectively. Mr. Ko has 100% direct interest in Kwan Wing and approximately 96% beneficial interest in Techral.

(ii) 118,403,418 ordinary shares in DVN are directly held by Prime Pacific International Limited ("Prime Pacific"), which is owned as to 67% and 33% by Gold Pagoda Incorporated ("Gold Pagoda") and Prime Gold International Limited ("Prime Gold"), respectively.

Prime Gold is owned as to 82.45% by Kwan Wing.

Gold Pagoda is a wholly-owned subsidiary of the Company which in turn is controlled by Mr. Ko.

31,032,522 ordinary shares in DVN are held directly by Universal Appliances Limited, which wholly owned by the Company.

2,956,000 ordinary shares in DVN are held by All Mark Limited, which is indirectly wholly owned by the Company.

2,822,000 ordinary shares in DVN are held by First Gain International Limited, which is wholly-owned by Mr. Ko.

3,144,000 ordinary shares in DVN are held by Kwan Wing.

2,040,816 ordinary shares in DVN are held by the spouse of Mr. Ko.

(iii) Million Way Enterprises Limited, a wholly-owned subsidiary of the Company, also holds US\$15,000,000 preference shares issued by DVN (Group) Limited, a wholly-owned subsidiary of DVN. These preference shares are exchangeable to approximately 28,147,700 ordinary shares of DVN, a listed associated company, to an adjusted conversion price of HK\$4.13 per share and are subject to adjustment.

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

(C) Rights to acquire ordinary shares of DVN

Movements of the share options of DVN granted to a director of the Company are as follows:

Directors	Date of share options granted	Number of share options outstanding as at 1st January 2005	Number of share options granted during the year	Number of share options cancelled/lapsed during the year	Number of share options exercised during the year	Number of share options outstanding as at 31st December 2005	Exercise period	Exercise price per share HK\$
Mr. Ko	23/7/2002	3,000,000	—	—	—	3,000,000	24/7/2002 — 23/7/2008	1.470
	10/12/2003	450,000	—	—	—	450,000	1/1/2004 — 31/12/2006	0.824
		<u>3,450,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,450,000</u>		

Save as disclosed above and other than certain nominee shares in subsidiaries held by Mr. Ko in trust for the Company, as at 31st December 2005, none of the directors, the chief executive (including their spouses and children under 18 years of age) or their associates had any other beneficial interests in the shares of the Company or any of its associated corporations (within the meaning of the SFO).

At no time during the year was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its parent Company a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

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

As at 31st December 2005, save as disclosed under the section "Directors' and Chief Executives' interests in shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, no other person had registered any substantial shareholders' interests, being 5% or more of the Company's issued share capital under Section 336 of the SFO.

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CONNECTED TRANSACTIONS

During the year, the maximum amount of advances due to a wholly owned subsidiary of Kwan Wing was approximately HK\$29.7 million (2004: HK\$34 million).

The balance due to the above-mentioned fellow subsidiary is unsecured, bears interest at Hong Kong dollar prime lending rate plus 2.5% per annum and has no fixed terms of repayment. The total interest payable to the fellow subsidiary for the year ended 31st December 2005 on the advances amounted to HK\$517,000 (2004: HK\$2,167,000).

The directors, including the independent non-executive directors, of the Company are of the opinion and have confirmed to the Company that the above connected transaction was carried out in the ordinary and normal course of business of the Group.

RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(i) Year-end balances arising from advancement of funds

(a)	2005	2004
	HK\$'000	HK\$'000
Payables to a fellow subsidiary — non-current	—	5,000
Payables to a fellow subsidiary — current	18	24,705
Amount due to an associated company	470	335
Amount due to a related company	6,237	—

- (1) During the year, the maximum amount of advances due to a wholly owned subsidiary of Kwan Wing was approximately HK\$29 million (2004: HK\$34 million).

The balance due to the above-mentioned fellow subsidiary is unsecured, bears interest at Hong Kong dollar prime rate plus 2.5% per annum and has no fixed terms of repayment. The total interest paid on the advances for the year ended 31st December 2005 amounted to HK\$517,000 (2004: HK\$2,563,000).

- (2) The amounts due to an associated company is unsecured, interest free and has no fixed repayment term.
- (3) The amounts due to a related company is unsecured, interest free and has no fixed repayment term.

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RELATED PARTY TRANSACTIONS *(Continued)*

(i) Year-end balances arising from advancement of funds *(Continued)*

<i>(b)</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Amount due from a related party — current	4,742	—

The amounts due from a related party is interest free, unsecured and has no fixed repayment term.

(ii) Related party transactions

During the year, the Group entered into the following related party transactions with a jointly controlled entity:

	2005 <i>HK\$'000</i>
Purchase of programs and film rights	34,574
Purchase of revenue receivable rights of certain programs and films	17,252
Purchase of investment in a film	12,561

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's by-laws and there was no restriction against such rights under the laws of the Cayman Islands.

PURCHASE, REDEMPTION OR SALE OF SECURITIES

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.

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.

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POST BALANCE SHEET EVENT

On 1st January 2006, a subsidiary of the Company acquired 100% interests of Beijing HuaYi Qian Si Advertising Company Limited ("Qian Si") for a consideration of RMB2,750,000. Qian Si was originally a 55% owned subsidiary of AUFM, a jointly controlled entity of the Group. Qian Si is principally engaged in the advertising agency business.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this annual report under the Listing Rules.

AUDITORS

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

On behalf of the Board

Ko Chun Shun, Johnson

Chairman

Hong Kong, 26th April 2006