




TEAM WORKING



“The Group has already recruited a group of new artistes and models, whose talents will be developed through various types of training, such as acting, singing and dancing. We will also provide opportunities for the new artistes and models to appear in public performances, films and TV programmes, concerts and live shows.”

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the Report of the Directors of the Group for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in (i) film and TV programme production, (ii) event production, (iii) artiste and model management, (iv) music production and (v) manufacturing and sale of multimedia electronic products, toys and games products. Details of the principal activities and other particulars of the Company's significant subsidiaries are set out in note 24 to the financial statements.

SEGMENT INFORMATION

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2006 are set out in the consolidated income statement on page 35.

The states of affairs of the Group and the Company as at 30 June 2006 are set out in the balance sheets on pages 37 and 39 respectively.

The cashflows of the Group are set out in the statement on pages 42 and 43.

The Directors do not recommend a payment of dividend nor transfer of any amount to reserves for the year ended 30 June 2006.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 108.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 19 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in notes 34 and 16 to the financial statements respectively.

RESERVES

Details of movements in the reserve of the Group and the Company during the year are set out in note 35 to the financial statements.

Report of the Directors (Continued)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors in office during the financial year and up to the date of this report are:

Executive Directors

Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P. (Chairman)*

Mr. Carl Chang (*Chief Executive Officer*)

Mr. Yu Kam Yuen, Lincoln

Mr. Tong Chin Shing (appointed on 5 December 2005)

Independent Non-executive Directors

Mr. Li Fui Lung, Danny

Mr. Ng Hoi Yue, Herman

Mr. John Pau McClellan (appointed on 30 September 2004 and resigned on 1 October 2005)

Hon. Shek Lai Him, Abraham, *J.P.* (appointed on 1 October 2005)

Mr. Fong Shing Kwong, Michael (appointed on 5 December 2005)

Pursuant to Bye-law 86 of the Company's bye-laws, Mr. Tong Chin Shing and Mr. Fong Shing Kwong, Michael who were appointed by the Board of Directors, shall hold office until the forthcoming annual general meeting of the Company, and being eligible, offers themselves for re-election at that meeting.

Pursuant to Bye-law 87 of the Company's bye-laws, Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.* and Mr. Carl Chang will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offers themselves for re-election at that meeting.

None of the Directors 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.

The Company has received from the Independent Non-executive Directors annual confirmation of independence in accordance with rule 3.13 of the Listing Rules. The Company has assessed their independence and concluded that all the Independent Non-executive Directors are independent within the definition of the Listing Rules.

PROFILE OF DIRECTORS

Profile of Directors of the Company as at the date of the report are set out on pages 31 and 32.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

There were 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, which subsisted at the end of the year or at any time during the year.

Report of the Directors (Continued)

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

(A) Shares

As at 30 June 2006, the interests of the Directors and chief executive in the share capital of the Company and its associated corporations as defined in the SFO were as follows:

Name of Director	Name of company	Number of ordinary shares	Capacity	Approximate percentage of interest
Yu Kam Kee, Lawrence	See Corporation Limited	825,178,872	Beneficial owner	6.38%

(B) Share Options

The Company has a share option scheme under which Directors may, at their discretion, grant options to employees, including any directors, of the Company or its subsidiaries to subscribe for shares in the Company, subject to the terms and conditions stipulated. During the year ended 30 June 2006, there are no outstanding share options granted to the Directors of the Company.

Save as aforesaid, as at 30 June 2006, to the knowledge of the Company:

- (i) none of the Directors, or chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executives are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules;
- (ii) none of the Directors or chief executives or their spouses or children under 18 had any right to subscribe for the shares, underlying shares or debentures of the Company, or had exercised any right during the year ended 30 June 2006.

Report of the Directors (Continued)

ARRANGEMENT 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 or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, the chief executive, 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, save as the share options disclosed in the previous section headed "Directors' Interest in Shares, Underlying Shares and Debentures".

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, shareholders (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Number of ordinary shares	Capacity	Approximate percentage of interest
Hanny Holdings Limited	3,740,643,996 (L)	Beneficial owner	28.94%
Tai Fook Securities Company Limited	1,430,000,000 (L)/(S)	Beneficial owner	11.06%
Tai Fook Finance Company Limited	1,430,000,000 (L)/(S) (Note 3)	Interest through a controlled corporation	11.06%
Tai Fook (BVI) Limited	1,430,000,000 (L)/(S) (Note 3)	Interest through controlled corporations	11.06%
Tai Fook Securities Group Limited	1,430,000,000 (L)/(S) (Note 3)	Interest through controlled corporations	11.06%
Hyde Park Group Limited	2,860,000,000 (L) (Note 4)	Beneficial owner	22.13%
Wu Hoi Shan	2,860,000,000 (L) (Note 4)	Interest through a controlled corporation	22.13%
Brightstar Global Capital Inc.	715,000,000 (L) (Note 5)	Beneficial owner	5.53%
Allen Bradford William	715,000,000 (L) (Note 5)	Interest through a controlled corporation	5.53%

Report of the Directors (Continued)

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. The letter "L" denotes the person's long position (i.e. interests) in the shares and the letter "S" denotes such person's short position in the shares.
2. Out of these 3,740,643,996 shares, Hanny Holdings Limited ("Hanny") directly holds 320,000,000 shares representing a 2.48% interest in the Company and Cyber Generation Limited, an indirect wholly-owned subsidiary of Hanny, holds 12,490,000 shares representing 0.10% interest in the Company. The 1,991,487,330 shares represent Hanny's underwriting commitment and its commitment to take up its pro-rata entitlement arising from the underwriting agreement entered into between the Company, Hanny and Success Securities Limited dated 22 April 2006 in relation to a proposed rights issue by the Company (the "Rights Issue"). The remaining 1,416,666,666 shares represent the shares which will be issued by the Company to Hanny upon full conversion of the convertible notes dated 10 August 2005 issued by the Company in the aggregate principal amount of HK\$170,000,000.
3. Tai Fook Securities Company Limited is directly interested in these 1,430,000,000 shares. Tai Fook Securities Company Limited is a wholly owned subsidiary of Tai Fook Finance Company Limited which, in turn, is a wholly owned subsidiary of Tai Fook (BVI) Limited which, in turn, is a wholly owned subsidiary of Tai Fook Securities Group Limited. By virtue of the provisions of the Part XV of the SFO, each of Tai Fook Finance Company Limited, Tai Fook (BVI) Limited and Tai Fook Securities Group Limited are deemed to be interested in all the shares in which Tai Fook Securities Company Limited is interested.
4. Hyde Park Group Limited, as a result of its agreeing to sub-underwrite the Rights Issue, is directly interested in these 2,860,000,000 shares. Wu Hoi Shan is the sole owner of Hyde Park Group Limited. By virtue of the provisions of the Part XV of the SFO, Wu Hoi Shan is deemed to be interested in all the shares in which Hyde Park Group Limited is interested.
5. Brightstar Global Capital Inc., as a result of its agreeing to sub-underwrite the Rights Issue, is directly interested in these 715,000,000 shares. Allen Bradford William is the sole owner of Brightstar Global Capital Inc. By virtue of the provisions of the Part XV of the SFO, Allen Bradford William is deemed to be interested in all the shares in which Brightstar Global Capital Inc. is interested.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 30 June 2006.

Report of the Directors (Continued)

CONVERTIBLE NOTES, SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

On 10 August 2005, the Company issued a zero coupon convertible notes in the aggregate principal amount of HK\$170 million to Hanny Holdings Limited at the conversion price of HK\$0.12 per share of HK\$0.01 each of the share capital of the Company, subject to adjustment and upon the terms contained therein.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED 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 listed securities during the year.

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

During the year, 35% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounting for 14% of the Group's purchases. In addition, 40% of the Group's turnover was attributable to the Group's five largest customers with the largest customer accounting for 21% of the Group's turnover.

As at 30 June 2006, to the knowledge of the Directors of the Company, none of the Directors, their associates or any shareholders owning more than 5% of the Company's share capital had any beneficial interests in the Group's five largest suppliers and customers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 30 June 2006, the following Director(s) were considered to have interests in the following businesses, being businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Mr. Yu Kam Kee, Lawrence, *B.B.S., M.B.E., J.P.* has an indirect interest of approximately 44% in Sun-Tech International Group Limited whose principal business is provision of computer system integration services which is in competition with those business of the Group. The business of the Group in system integration services ceased in February 2006 and was disposed of by the Group in June 2006.

Save as disclosed above, during the year ended 30 June 2006, none of the Directors have any interest in business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

Report of the Directors (Continued)

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company has complied with all the code provisions except for A.4.1 as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules. Please also refer to Corporate Governance Report on pages 16 to 21 for details.

Details of the audit committee and remuneration committee are set out in the Corporate Governance Report.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all Directors and the directors have complied with the required standard set out in the Model Code for the year ended 30 June 2006.

AUDIT COMMITTEE

The Company's audit committee comprises four Independent Non-executive Directors, namely Mr. Li Fui Lung, Danny, the chairman of the committee, Mr. Ng Hoi Yue, Herman and Hon. Shek Lai Him, Abraham, J.P. and Mr. Fong Shing Kwong, Michael. Both Mr. Li Fui Lung, Danny and Mr. Ng Hoi Yue, Herman are certified public accountants.

The annual results for the year have been reviewed by the Group's external auditors and the audit committee of the Company. The audit committee has also reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's audited annual financial statements for the financial year ended 30 June 2006.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 30 June 2006.

EVENTS AFTER THE BALANCE SHEET DATE

Details of significant subsequent events are set out in note 41 to the financial statements.

AUDITORS

A resolution to re-appoint Messrs. HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
Yu Kam Kee, Lawrence
B.B.S., M.B.E., J.P.
Chairman

Hong Kong, 20 October 2006