

The Directors submit their report together with the audited accounts for the year ended 30th September, 2002.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 27 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 32.

The Directors have declared an interim dividend of HK\$0.018 per ordinary share, totalling approximately HK\$93,000,000, which was paid on 16th August, 2002.

The Directors do not recommend the payment of a final dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

DONATIONS

The Group did not make any charitable and other donations during the year (2001: HK\$63,000).

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company are set out in note 10 to the accounts.

SHARE CAPITAL

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities 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.

SHARE OPTIONS

Under the share option scheme approved by the shareholders of the Company on 16th March, 1999, the Directors may, at their discretion, at any time following the date of the adoption of the share option scheme but before the tenth anniversary of that date, offer options to any full-time employees of the Company or any subsidiary of the Company (including full-time Executive Directors of the Company or any subsidiary of the Company) or any other persons who devote substantially all of their time and efforts to the business, management and operation of the Company and/or any subsidiary, to subscribe for the shares of the Company at a price not less than the higher of the nominal value of the share and 80% of the average of the closing price of the shares of the Company on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of offer of the options. An offer of options may be accepted within 21 days from the date of offer of the options upon payment of a nominal consideration of HK\$1.00.

The maximum number of shares in respect of which options may be granted under the existing share option scheme shall not exceed 10% in nominal amount of the issued share capital of the Company from time to time excluding the aggregate number of shares which have been duly allotted and issued pursuant to the scheme. The maximum entitlement of each participant under the scheme shall not exceed 25% of the maximum aggregate number of shares of the Company subject to the scheme at the time it is proposed to grant the relevant option to such participants. The participants may exercise the options during the option period which shall not be more than 10 years from the date of grant of options.

Details of the share options outstanding as at 30th September, 2002 which have been granted under the scheme are as follows:

Date of grant	Exercise price* HK\$	Exercisable period	Balance outstanding as at 1st October, 2001*	Share options granted during the year*	Share options exercised during the year*	Share options lapsed during the year*	Balance outstanding as at 30th September, 2002*
Executive Director, Mr. SY Ethan, Timothy							
26th April, 1999	0.150	25th May, 1999 to 24th May, 2009	100,000,000	—	—	—	100,000,000
Employees							
15th November, 2000	0.715	15th November, 2000 to 14th November, 2010	3,300,000	—	—	1,500,000#	1,800,000

* The number of share options and the exercise price have been adjusted following the share subdivision as described in note 20(a) to the accounts.

These share options lapsed during the year upon the resignation of certain employees.

SHARE OPTIONS (cont'd)

The financial impact of options granted is not recorded in the Group's accounts until such time as the options are exercised. Upon the exercise of the options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of shares is recorded by the Company in the share premium account. Options which lapsed prior to their exercise date are deleted from the outstanding options.

In order to comply with the new requirements of Chapter 17 of the Listing Rules which came into effect on 1st September, 2001, a resolution will be proposed at the forthcoming annual general meeting to be held on 27th March, 2003 to adopt a new share option scheme and terminate the existing share option scheme. Details of the proposed new share option scheme are set out in a circular sent together with this annual report.

WARRANTS

Details of the movements of warrants of the Company are set out in note 21(b) to the accounts.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Group and the Company as at 30th September, 2002 are set out in note 18 to the accounts.

DIRECTORS

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

Mr. SZE Tsang Fai, Johnny	(resigned on 5th February, 2002)
Mr. SY Ethan, Timothy	
Mr. YU Sze Kwok, Lewis	
Mr. CHEUNG Wing Yin, Vigny Wiley	
Mr. TSE Po Lau, Paul	(appointed on 5th February, 2002)
Mr. SUNG Yee Keung, Ricky	(appointed on 1st October, 2002)
Mr. WAN Kwok Cheong, Francis	(appointed on 1st October, 2002)
Mr. PANG Leung Ming, Eric	(appointed on 1st October, 2002)
Mr. IP Man Tin, David *	
Mr. TAI Ah Lam, Michael *	

* Independent Non-executive Directors

In accordance with Articles 99 and 116 of the Articles of Association of the Company, Messrs. YU Sze Kwok, Lewis, TSE Po Lau, Paul, SUNG Yee Keung, Ricky, WAN Kwok Cheong, Francis and PANG Leung Ming, Eric shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 14 and 15.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 30th September, 2002 are set out in note 22 to the accounts.

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.

DIRECTORS' SERVICE CONTRACTS

For those Executive Directors of the Company who held office as at 1st October, 2001, each of them had entered into a service contract (the "Previous Contracts") with the Company for a term of three years commencing on 9th April, 1999 and expired on 8th April, 2002, except for Mr. SZE Tsang Fai, Johnny whose service contract was terminated upon his resignation as Director on 5th February, 2002.

Pursuant to the Previous Contracts, the four Executive Directors of the Company who held office as at 1st October, 2001 are entitled to fixed salaries of HK\$6,343,000 per annum in aggregate and any further performance-related bonus shall be determined by the Company having regard to, inter alia, the operating results of the Group. The maximum amount of discretionary bonus available to all the Executive Directors in a financial year shall be calculated in accordance with the following scale:

Profit after minority interests but before taxation and extraordinary items (HK\$)	Maximum % available for payment of bonus
(a) 0 - 150,000,000	5% thereon;
(b) 150,000,001 - 200,000,000	10% on the balance; and
(c) 200,000,001 +	15% on the balance.

In any case, the maximum amount of discretionary bonuses in a financial year will not be greater than 10% of the Group's profit after minority interests but before taxation and extraordinary items.

For those Executive Directors of the Company who held office as at 1st October, 2001, the Company has entered into new service contracts with two of them for a term of two years and with one of them for a term of three years, commencing on 9th April, 2002 (collectively the "New Contracts"), except for Mr. SZE Tsang Fai, Johnny whose service contract was terminated upon his resignation as Director on 5th February, 2002.

Pursuant to the New Contracts, the three Executive Directors of the Company are entitled to fixed salaries of HK\$25,126,080 per annum in aggregate and the discretionary bonus shall be determined by the Board in its absolute discretion having regard to, inter alia, the performance of the Director and/or the operating results of the Group. The Company has agreed to pay them a one-time commitment fee of HK\$41 million in aggregate for accepting the New Contracts.

Save as disclosed above, 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 employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party, and in which any 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.

CONNECTED TRANSACTIONS

As at 30th September, 2002, a wholly owned subsidiary of the Company, Freespeech Technology Limited, had loans receivable from a non-wholly owned subsidiary of the Company, Sino Media Group (SMG) Limited, amounting to HK\$72 million (2001: HK\$57 million) for financing its working capital requirements. The loans are unsecured, interest bearing at the prevailing Hong Kong Interbank Offer Rate, which was 2.02% per annum at 30th September, 2002 (2001: 2.50% per annum), and with no fixed terms of repayment.

Apart from the above, no other significant transactions were entered into by the Group during the year ended 30th September, 2002, which constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th September, 2002, the interests of the Directors and Chief Executive in the shares, share options and warrants of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (the "SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

(a) Ordinary shares

Name of Director	Nature of interest	Number of ordinary shares*
Mr. YU Sze Kwok, Lewis	Personal interests	8,000,000
	Family interests (note 1)	320,000
Mr. CHEUNG Wing Yin, Vigny Wiley	Personal interests	10,000,000
Mr. TSE Po Lau, Paul	Corporate interests (note 2)	120,347,826

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (cont'd)

(b) Share options

Under a share option scheme approved by the shareholders of the Company on 16th March, 1999, the Directors of the Company may, at their discretion, invite employees, including Executive Directors of the Company, to take up options to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. Particulars and movements of share options held by the Directors of the Company during the year were as follows:

Name of Director	Date of grant	Exercise price* HK\$	Number of share options outstanding as at 1st October, 2001*	Number of share options exercised during the year*	Number of share options outstanding as at 30th September, 2002*	Exercisable period
Mr. SY Ethan, Timothy	26th April, 1999	0.150	100,000,000	—	100,000,000	25th May, 1999 to 24th May, 2009

(c) Warrants

Particulars and movements of warrants held by the Directors of the Company during the year were as follows:

Name of Director	Date of grant	Exercise price* HK\$	Number of warrants outstanding as at 1st October, 2001*	Number of warrants exercised during the year*	Number of warrants outstanding as at 30th September, 2002*	Exercisable period
Mr. YU Sze Kwok, Lewis	27th August, 2001 (note 1)	0.680	924,443	—	924,443	27th August, 2001 to 26th August, 2004
Mr. CHEUNG Wing Yin, Vigny Wiley	27th August, 2001	0.680	1,111,111	—	1,111,111	27th August, 2001 to 26th August, 2004
Mr. TSE Po Lau, Paul	27th August, 2001 (note 2)	0.680	11,111,111	—	11,111,111	27th August, 2001 to 26th August, 2004

Notes:

- * The number of shares, share options and warrants and the exercise price have been adjusted following the share subdivision as described in note 20(a) to the accounts.
- 1 There are 320,000 shares and 35,555 warrants to subscribe for ordinary shares of the Company included in the above were held by Ms. WONG Sui Wan, Jacqueline, the wife of Mr. YU Sze Kwok, Lewis.
- 2 These shares and warrants were held by Asian Top Limited, a company controlled by Mr. TSE Po Lau, Paul.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (cont'd)

Except as disclosed above, as at 30th September, 2002, the Company did not grant any right to subscribe for shares of the Company and its associated corporations (within the meaning of the SDI Ordinance) to any Directors or Chief Executives of the Company or to their spouses or children under 18 years of age.

Apart from the above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors or Chief Executives of the Company or any of their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that as at 30th September, 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

Name of shareholder	Number of ordinary shares
Optimum Pace International Limited	2,942,608,695

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.

MAJOR CUSTOMERS AND SUPPLIERS

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	63%
– five largest suppliers combined	98%
Sales	
– the largest customer	23%
– five largest customers combined	46%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year, except that the Independent Non-executive Directors are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company. In the opinion of the Directors, this meets the same objective as the Code of Best Practice.

AUDIT COMMITTEE

The Audit Committee, comprising two Independent Non-executive Directors, namely Mr. IP Man Tin, David, and Mr. TAI Ah Lam, Michael, and one Executive Director, Mr. SY Ethan, Timothy, was established on 27th June, 2000.

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Audit Committee met twice in 2002 in conjunction with the auditors to review the internal controls, interim results and final financial statements of the Group prior to recommending them to the Board for approval.

PENSION SCHEME ARRANGEMENTS

On 1st December, 2000, the Group set up a Mandatory Provident Fund Scheme ("MPF Scheme") in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group and are under the control of an independent trustee.

Both the Group and its employees are required to contribute 5% of the employees monthly salaries. The mandatory contributions required to be made by the Group and an employee are capped at HK\$1,000 per month. Members are entitled to 100% of the employers' mandatory contributions as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or in accordance with the rules of the MPF Scheme.

Certain employees of the Group make voluntary contributions to the MPF Scheme and the Group also makes voluntary contributions of an amount equivalent to that contributed by those employees to the MPF Scheme. The voluntary contribution represents the difference between the capped amount and 5% of the employees' monthly basic salaries. For the Group's voluntary contributions, the percentage of voluntary contributions vested in the employees is subject to their years of services with the Group. The employee's voluntary contributions are vested only during the term of employment with the Group.

The retirement benefit costs charged to the consolidated profit and loss account represent contributions payable by the Group of approximately HK\$1,072,000 (2001: HK\$394,000). As at 30th September, 2002, unutilized forfeited voluntary contributions which are available to reduce the contribution payable by the Group in the future amounted to approximately HK\$181,000 (2001: HK\$20,000).

AUDITORS

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

On behalf of the Board

SY Ethan, Timothy

Chairman

Hong Kong, 28th January, 2003