

## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2006.

### Principal activities

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 13 in the financial statements.

During the year, the directors of the Group performed a detailed review of the revenue structure of the Group and considered that it is appropriate to classify the provision of marketing services as one of the Group's principal activities. There were no other significant changes in the nature of the Group's principal activities during the year.

### Results and dividends

The Group's profit for the year ended 31 March 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 65.

The directors do not recommend the payment of any dividend in respect of the year.

### Summary financial information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 66. This summary does not form part of the audited financial statements.

### Property, plant and equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

### Share capital

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share capital are set out in note 19 to the financial statements.

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### **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.

### **Purchase, redemption or sale of listed securities of the Company**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

### **Reserves**

Details of movements in the reserves of the Company and the Group during the year are set out in note 21(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

### **Distributable reserves**

As at 31 March 2006, the Company had no reserves available for distribution in accordance with the Companies Act 1981 of Bermuda (as amended).

### **Major customers and suppliers**

In the year under review, marketing service fee income from the Group's five largest customers accounted for 99% of the total marketing service fee income for the year and marketing service fee income from the largest customer included therein amounted to 86%. None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

The Group is a provider of marketing services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.



## REPORT OF THE DIRECTORS

### Directors

The directors of the Company during the year were:

#### Executive directors:

Mr. Henry Hung CHEN (*Chairman*)

Miss Wing Yan AU

#### Independent non-executive directors:

Mr. Chin Yao LIN

Mr. Bernard King Bong LEUNG

Mr. Robert Joseph ZULKOSKI

In accordance with bye-law 110(A) of the Company, Mr. Chin Yao LIN and Mr. Bernard King Bong LEUNG will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The remaining directors will continue in office.

The Company has received annual confirmations of independence from Mr. Chin Yao LIN, Mr. Bernard King Bong LEUNG and Mr. Robert Joseph ZULKOSKI, and as at the date of this report, considers them to be independent.

### Directors' biographies

Biographical details of the directors of the Company are set out on page 6 of the annual report.

### Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### Directors' remuneration

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

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### Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

### Directors' interests and short positions in shares and underlying shares

At 31 March 2006, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept 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"), were as follows:

#### Long positions in ordinary shares of the Company:

Name of director	Number of ordinary shares directly beneficially owned	Percentage of the Company's issued share capital
Mr. Chin Yao LIN	3,242,000	0.14
Miss Wing Yan AU	<u>2,000</u>	<u>—</u>

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2006, none of the directors of the Company had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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### Directors' rights to acquire shares

At no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### Share option scheme

No share options have been granted under the share option scheme during the year. Details of the Company's share options are set out in note 20 to the financial statements.

### Substantial shareholders' interests and short positions in shares and underlying shares

At 31 March 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
	Directly beneficially		
KG NextVision Corporation	owned	<u>1,795,000,000</u>	<u>74.79</u>

Save as disclosed above, as at 31 March 2006, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

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### Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Mr. Henry Hung CHEN**

*Chairman*

Taipei

13 July 2006

