

REPORT OF THE DIRECTORS

The directors present herewith their annual report together with the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and securities trading. The principal activities of the subsidiaries are provision of telecommunications services, provision of data bureau services, operation of recreational clubs and investment holding.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries ("the Group") during the financial year are set out in note 11 on the financial statements.

Particulars of the Company's principal subsidiaries, associates and jointly controlled entities at 31 December 2002 are set out in the financial statements on pages 61 to 63.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	26%	
Five largest customers in aggregate	58%	
The largest supplier		29%
Five largest suppliers in aggregate		55%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2002 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 20 to 63.

DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2002 (2001: HK\$Nil).

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company are set out in note 12 on the financial statements.

DEBENTURES

Particulars of the club debentures of the Group are set out in note 23 on the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 on the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 29 on the financial statements.

DIRECTORS

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

EXECUTIVE DIRECTORS

Joseph LEUNG Wing-kong

James C. NG

Derek LEUNG Wai-choi

YEUNG Wing-tung

(appointed on 1 November 2002)

Alec KEUNG Sui-leung

(resigned on 1 November 2002)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond LAU Wai-pun

Jen CHEN

(appointed on 24 February 2003)

CHAO Cheng-fen

(resigned on 24 February 2003)

Mr. YEUNG Wing-tung and Dr. Jen CHEN, having been appointed to the board since the date of the last annual general meeting, retire at the forthcoming annual general meeting in accordance with article 92 of the Company's articles of association and, being eligible, offer themselves for re-election.

In accordance with article 101 of the Company's articles of association, Messrs James C. NG and Raymond LAU Wai-pun retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The directors who held office at 31 December 2002 had the following interests in the issued share capital of the Company as recorded in the register of directors' share interests.

	Ordinary shares of HK\$0.01 each	
	Personal interests	Corporate interests
Joseph LEUNG Wing-kong	—	200,000
CHAO Cheng-fen	1,383,920	—

Save as disclosed above, no director, chief executive or any of their associates had any beneficial or non-beneficial interests in the share capital of the Company or any of its associated corporations.

SHARE OPTION SCHEME

In an Extraordinary General Meeting of the Company held on 14 June 2002, the shareholders of the Company formally approved the termination of the share option scheme adopted on 30 December 1997 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme"), in compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and for the purpose of providing the Company a flexible means of giving incentives and rewards to executive directors and employees for their contribution to the Group. All outstanding options granted under the Old Scheme shall remain valid and exercisable under the provisions of the Old Scheme.

Under the terms of the New Scheme, the Board may, at its discretion, invite executive directors and employees of the Group to take up options to subscribe for shares of the Company. The New Scheme shall be valid and effective for a period of 10 years ending on 13 June 2012, after which period no further options will be granted. The exercise price of options shall be determined by the Board and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; (ii) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the shares. A nominal consideration of HK\$1 is payable on acceptance of any options granted.

SHARE OPTION SCHEME (CONTINUED)

The total number of shares available for issue under the New Scheme as at 31 December 2002 was 243,415,800 shares (including options for 3,638,000 shares that have been granted but not yet lapsed or exercised) which represented 14.7% of the issued share capital of the Company at 31 December 2002. In respect of the maximum entitlement of each participant under the New Scheme, the number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue. Any further grant of options in excess of this limit is subject to shareholders' approval in a general meeting.

During the year, no new options were granted, no options were cancelled or exercised, and 5,618,000 options issued under the Old Scheme lapsed.

Share options under the Old Scheme are exercisable before 29 December 2007.

At 31 December 2002, the directors and employees of the Company had the following interests in options to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one share.

	Number of options outstanding at the beginning of the year	Number of options lapsed during the year	Number of options outstanding at the year end	Date granted	Price per share on exercise of options
<i>Granted under the Old Scheme:</i>					
Directors					
Cecilia IP Lai-ching <i>(Note)</i>	4,300,000	4,300,000	—	11 October 1999	HK\$1.528
Employees	4,956,000	1,318,000	3,638,000	11 October 1999 to 18 September 2000	HK\$0.63 to HK\$2.316

Note: Ms Cecilia IP Lai-ching resigned as a director of the Company with effect from 31 December 2001. Pursuant to the terms of the Old Scheme, options held by Ms Ip lapsed on 31 January 2002.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen 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 INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 31 December 2002, the following parties had registered an interest of 10% or more in the share capital of the Company.

	Ordinary shares held	Percentage of total issued shares
Solution Bridge Limited	408,757,642	24.8
Ms. Nina KUNG (<i>Note</i>)	571,642,145	34.6

Note: The interests disclosed under Ms. Nina KUNG represent her deemed interests in the shares of the Company by virtue of her interest in Solution Bridge Limited and another shareholder.

Save as disclosed above, there were no other parties who were known to the directors to be the registered holders or have any interest or right to subscribe for 10% or more of the issued share capital of the Company at 31 December 2002.

DIRECTORS' INTERESTS IN CONTRACTS

No contract 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, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2002 are set out in notes 22 and 24 on the financial statements.

FIVE YEAR 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 pages 64 and 65 of the annual report.

RETIREMENT SCHEMES

The Group principally operates a defined contribution retirement scheme and a Mandatory Provident Fund Scheme, for its Hong Kong employees. The Group also operates other defined contribution schemes for its overseas employees as appropriate in the relevant jurisdictions. Particulars of the principal retirement schemes are set out in note 25 on the financial statements.

CONNECTED TRANSACTIONS

The Company has entered into a tenancy agreement with a company controlled by a substantial shareholder, in respect of the letting of certain office units for a term of two years commencing from 1 May 2001 at a monthly rental of HK\$203,076. There is an option to renew the lease for a further two years at market rental to be agreed between the parties.

On 16 December 2002, a wholly owned subsidiary of the Company, Wintalent International Limited entered into a subscription agreement with Genovate Biotechnology Company Limited ("Genovate") in relation to the subscription of 12 million new ordinary shares to be issued by Genovate, representing approximately 14.4% interest in Genovate, for a consideration of NT\$120 million (equivalent to HK\$26,801,000). The investment in Genovate is for the Group to further expand its bio-medical investments. As Ms Nina Kung, a substantial shareholder of the Company, is also a substantial shareholder of Genovate, this transaction constitutes a connected transaction under the Listing Rules of the Stock Exchange.

AUDIT COMMITTEE

The Group's Audit Committee comprises two independent non-executive directors and continues to exercise its authority to review and supervise the financial reporting process and internal control system of the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year except that the independent non-executive directors are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association.

AUDITORS

KPMG were first appointed as auditors of the Company in 2001 upon the retirement of RSM Nelson Wheeler.

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the board
Joseph LEUNG Wing-kong
Chairman

Hong Kong, 10 April 2003