



REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding and the activities of the principal subsidiaries, associated companies and jointly controlled entities are shown in notes 35, 14 and 15 to the accounts respectively.

An analysis of the Group's turnover and segmental information are 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 36.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 28 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets, including investment properties, of the Group and the Company are set out in note 11 to the accounts.

A schedule of principal properties held for investment purposes is set out on page 98.

LONG TERM LIABILITIES

Particulars of the Group's and the Company's long term liabilities at the balance sheet date are set out in note 26 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are shown in note 27 to the accounts.

CONVERTIBLE NOTES

Details of the issue of convertible notes by a subsidiary are set out in note 29 to the accounts.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 35 to the accounts.

REPORT OF THE DIRECTORS

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is shown on pages 96 to 97.

DIRECTORS

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

Executive directors:

YU Kam Kee, Lawrence	
WONG Sin Just	
WONG Kean Li	
WANG Ruiping	(appointed on 3 October 2003)
Yoshitaka KITAO	(resigned on 3 October 2003)
Hideaki SHIMANE	(resigned on 3 October 2003)
Katsuya KAWASHIMA	(resigned on 3 October 2003)
Koji MURASE	(appointed on 3 October 2003 and resigned on 5 November 2003)

Non-executive directors:

YU KamYuen, Lincoln	(ceased as alternate director to Mr Yu Kam Kee, Lawrence and appointed as non-executive director on 3 September 2003)
Akira KAJIKAWA	(resigned on 16 April 2003)
LI Shui	(resigned on 16 April 2003, subsequently appointed on 3 September 2003 and finally resigned on 3 October 2003)

Independent non-executive directors:

KANG Dian	(resigned on 16 April 2003)
LO Wing Yan, William	
CHAN Kai Yu, Rudy	(appointed on 26 June 2003)

In accordance with Article 104 of the Company's Articles of Association, Mr Wong Sin Just retires by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Article 110 of the Company's Articles of Association, all new directors who were appointed during the year also retire and, being eligible, offer themselves for re-election.

The independent non-executive directors of the Company are subject to the general provisions in respect of the retirement and rotation of directors in the Company's Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out on pages 17 to 18.

REPORT OF THE DIRECTORS

DIRECTORS' EMOLUMENTS

Details of directors' emoluments in respect of the year are shown in note 6 to the accounts.

DIRECTORS' INTERESTS IN SERVICE CONTRACT

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' INTERESTS IN SHARES AND OPTIONS

At 31 December 2003, the following directors of the Company were interested in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:-

(A) Interests in the Company

(1) Shares

Name of director	Number of ordinary shares of HK\$0.10 each			Percentage of issued shares
	Personal interest	Corporate interest	Total	
Yu Kam Kee, Lawrence	162,918,026	4,882,965*	167,800,991	4.61%
Yu Kam Yuen, Lincoln	12,083,885	—	12,083,885	0.33%
Wong Sin Just	3,002,000	—	3,002,000	0.08%
Wang Ruiping	1,000,000	—	1,000,000	0.03%

* Mr Yu Kam Kee, Lawrence has a shareholding of 60% in Henway Enterprises Limited, the beneficial owner of 4,882,965 shares of the Company.

(2) Share options

Details of the share options granted to the directors by the Company and outstanding as at 31 December 2003 are set out under "Option Granted Under The Share Option Schemes" below.

(B) Interests in an associated corporation

As at 31 December 2003, Mr Wong Sin Just held 6 ordinary shares of HK\$1.00 each in the capital of SBI E2-Capital Limited (representing 2% of its issued shares), a company incorporated in the Cayman Islands in which the Company has 49% indirect interest.

Save as disclosed above, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as regarded in the register kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEMES

The Company has adopted share option schemes under which the board of directors may, at its discretion, offer to any participant an option to subscribe for shares in the Company in accordance with the terms and conditions of the respective scheme. A summary of such schemes is as follows:

(A) Share option scheme adopted on 25 October 2000 (the “Old Scheme”)

(1) Purpose

The purpose of the Old Scheme is to provide incentive to the participants.

(2) Participants

The participants include any full time and part time employee or executive director (excluding non-executive director) of the Company, any of its subsidiaries or any associated company of the Company.

(3) Maximum number of shares available for subscription

The maximum number of shares in respect of which options may be granted is, when aggregated with any shares subject to any other scheme of the Company, limited to 10% of the issued share capital of the Company from time to time, excluding any shares issued upon the exercise of options granted pursuant to the Old Scheme. However, no further options will be granted under the Old Scheme upon its termination on 30 October 2002 (see paragraph (7) below).

(4) Maximum entitlement of each participant

The maximum entitlement of any one participant is 25% of the aggregate of all the shares subject to the Old Scheme.

(5) Maximum period for exercising an option

An option may be exercised in accordance with the terms of the Old Scheme at any time during a period to be notified by the board to each grantee, such period of time not exceeding 10 years from the date of grant of the option.

(6) Basis of determining the exercise price

The exercise price for shares under the Old Scheme shall be determined by the board, but may not be less than the higher of:

- (i) the nominal value of the shares; or
- (ii) 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the option.

(7) Remaining life of the Old Scheme

The Old Scheme was originally scheduled to be valid for a period of 10 years commencing on the date of adoption. In 2001, the Listing Rules were revised concerning the requirements for share option schemes operated by listed companies. In this respect, the operation of the Old Scheme was terminated upon the adoption of the New Scheme (as defined below) on 30 October 2001. Thereafter, no further options will be granted under the Old Scheme. However, all options granted prior to such termination and not yet exercised shall continue to be valid and exercisable subject to and in accordance with the Old Scheme. During the year, all outstanding options lapsed.

(B) The 2001 share option scheme adopted on 30 October 2001 (the “New Scheme”)

(1) Purposes

The purposes of the New Scheme are, inter alia, to attract and retain best available personnel and to provide additional incentive to the participants.

(2) Participants

The participants include any full time and part time employee, director, consultant or advisor of the Company, any of its subsidiaries or any associated company of the Company.

(3) Maximum number of shares available for subscription

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

(4) Maximum entitlement of each participant

Unless approved by the shareholders of the Company at a general meeting, the total number of shares issued and to be issued upon the exercise of options granted to each participant (including both exercised and outstanding options) in any 12 months period shall not exceed 1% of the issued share capital of the Company.



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(5) Maximum period for exercising an option

An option may be exercised in accordance with the terms of the New Scheme at any time during a period to be notified by the board to each grantee, such period of time not exceeding 10 years from the date of grant of the option.

(6) Basis of determining the exercise price

The exercise price per share shall be determined by the board and shall be at least the higher of:

- (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered, which must be a business day;
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date as mentioned in (i) above; and
- (iii) the nominal value of the shares.

(7) Remaining life of the New Scheme

The New Scheme shall remain in force for a period of 10 years commencing on 30 October 2001 up to 29 October 2011.

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OPTIONS GRANTED UNDER THE SHARE OPTION SCHEMES

Details of the share options granted under the Old Scheme and the New Scheme during the year are listed below:

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				
				At 1 January 2003	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2003
Directors								
Yu Kam Kee, Lawrence	21-02-2002	21-02-2002 to 20-02-2012	0.28	24,402,000	—	—	—	24,402,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	—	35,000,000 ¹	—	—	35,000,000
Wong Sin Just	21-02-2002	21-02-2002 to 20-02-2012	0.28	24,402,000	—	—	—	24,402,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	—	35,000,000 ¹	—	—	35,000,000
Wong Kean Li	21-02-2002	21-02-2002 to 20-02-2012	0.28	6,000,000	—	—	—	6,000,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	—	35,000,000 ¹	—	—	35,000,000
Wang Ruiping	21-02-2002	21-02-2002 to 20-02-2012	0.28	15,000,000 ²	—	—	—	15,000,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	—	35,000,000 ¹	—	—	35,000,000
Yu Kam Yuen, Lincoln	03-11-2003	03-11-2003 to 02-11-2013	0.10	—	20,000,000 ¹	—	—	20,000,000
Lo Wing Yan, William	03-11-2003	03-11-2003 to 02-11-2013	0.10	—	3,632,000 ¹	—	—	3,632,000
Chan Kai Yu, Rudy	03-11-2003	03-11-2003 to 02-11-2013	0.10	—	3,632,000 ¹	—	—	3,632,000
Yoshitaka Kitao (ex-director)	01-11-2000	01-11-2000 to 31-10-2010	0.48	27,960,000	—	—	(27,960,000)	—
	17-08-2001	17-08-2001 to 16-08-2011	0.39	10,000,000	—	—	(10,000,000)	—
Hideaki Shimane (ex-director)	21-02-2002	21-02-2002 to 20-02-2012	0.28	5,000,000	—	—	(5,000,000)	—

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OPTIONS GRANTED UNDER THE SHARE OPTION SCHEMES (continued)

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				
				At 1 January 2003	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2003
Akira Kajikawa (ex-director)	21-02-2002	21-02-2002 to 20-02-2012	0.28	24,402,000	—	—	(24,402,000)	—
Katsuya Kawashima (ex-director)	21-02-2002	21-02-2002 to 20-02-2012	0.28	17,500,000	—	—	(17,500,000)	—
Li Shui (ex-director)	21-02-2002	21-02-2002 to 20-02-2012	0.28	2,440,000	—	—	(2,440,000)	—
Kang Dian (ex-director)	21-02-2002	21-02-2002 to 20-02-2012	0.28	2,440,000	—	—	(2,440,000)	—
Employees	21-02-2002	21-02-2002 to 20-02-2012	0.28	25,500,000 ²	—	—	(11,100,000)	14,400,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	—	39,700,000 ¹	—	—	39,700,000
Consultants	21-02-2002	21-02-2002 to 20-02-2012	0.28	24,000,000 ²	—	—	(20,000,000)	4,000,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	—	37,000,000 ¹	—	—	37,000,000

Notes:

- (1) At the date immediately before the options were granted on 3 November 2003, the closing price per share was HK\$0.079.
- (2) 15,000,000 options previously classified under “Employees” were re-classified under “Directors” as a result of Mr Wang Ruiping becoming a director of the Company during the year; and 2,000,000 options previously classified under “Employees” were re-classified under “Consultants” as a result of an employee becoming a consultant of the Company during the year.
- (3) Options granted to directors are immediately vested on the date of grant.
- (4) Options granted to employees are vested as follows:
 - (a) For options granted on 21 February 2002

On 1st anniversary of the date of grant *	25% vested
On 2nd anniversary of the date of grant *	further 25% vested
On 3rd anniversary of the date of grant *	remaining 50% vested

* or on the 1st, 2nd and 3rd anniversary of an earlier date in which the grantee became an employee of the Group (as the case may be).

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OPTIONS GRANTED UNDER THE SHARE OPTION SCHEMES (continued)

- (b) For options granted on 3 November 2003

On date of grant	25% vested
On 1st anniversary of the date of grant	further 25% vested
On 2nd anniversary of the date of grant	remaining 50% vested

- (5) Options granted to consultants are vested as follows:

Date of grant	Vesting date	Number of share options vested
21 February 2002	21 February 2002	20,000,000
21 February 2002	3 August 2002	2,000,000
21 February 2002	21 February 2003	500,000*
21 February 2002	3 October 2003	1,500,000*
3 November 2003	3 November 2003	9,250,000
3 November 2003	3 November 2004	9,250,000
3 November 2003	3 November 2005	18,500,000

* The total of 2,000,000 options were granted to a consultant who was previously an employee of the Company (see note (2)).

- (6) In assessing the fair value of the share options granted during the year, the Black-Scholes option pricing model (the "Black-Scholes Model") has been used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of options and is one of the recommended option pricing models set out in Chapter 17 of the Listing Rules. The variables of the Black-Scholes Model include expected life of the options, risk-free interest rate, expected volatility and expected dividend of the shares of the Company, if any.

In assessing the fair value of the share options granted during the year to all directors, employees and consultants, the variables of the Black-Scholes Model and its estimated values are listed as follows:

Grantee	Grant date	Expected life	Risk-free rate	Expected volatility	Expected dividend yield	Estimated fair value per option HK\$
Directors	3 November 2003	5 years	3.19%	112.72%	0%	0.0629
Employees	3 November 2003	5 years	3.19%	112.72%	0%	0.0629
Consultants	3 November 2003	5 years	3.19%	112.72%	0%	0.0629

- (a) The expected life is measured from the date of grant (the "Measurement Date").
- (b) The risk-free rate applied to the Black-Scholes Model represents the yield of the Hong Kong Exchange Fund Notes at the Measurement Date corresponding to the expected life of the options as at the Measurement Date.
- (c) The expected volatility used in the calculation is based on the standard deviation of the returns of the daily closing share prices of the Company for the last twelve months from the Measurement Date.
- (d) Based on historic pattern, it is assumed that no dividend would be paid out during the expected life of the options.

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OPTIONS GRANTED UNDER THE SHARE OPTION SCHEMES (continued)

Using the Black-Scholes Model in assessing the fair value of share options granted during the year, the options would have an aggregate estimated fair value of approximately HK\$15,335,541, represented as follows:

Grantee	Date of grant	Number of share options granted during the year	Estimated fair value of options granted during the year HK\$
Directors			
Yu Kam Kee, Lawrence	3 November 2003	35,000,000	2,200,095
Wong Sin Just	3 November 2003	35,000,000	2,200,095
Wong Kean Li	3 November 2003	35,000,000	2,200,095
Wang Ruiping	3 November 2003	35,000,000	2,200,095
Yu Kam Yuen, Lincoln	3 November 2003	20,000,000	1,257,197
Lo Wing Yan, William	3 November 2003	3,632,000	228,307
Chan Kai Yu, Rudy	3 November 2003	3,632,000	228,307
Employees	3 November 2003	39,700,000	2,495,536
Consultants	3 November 2003	37,000,000	2,325,814
		Total	<u>15,335,541</u>

In assessing the aggregate estimated fair value of the share options, no adjustment has been made for possible future forfeiture of the options. No charge is recognised in the profit and loss account in respect of the fair value of options granted during the year. The share options granted will be recognised in the balance sheet at the time when the share options are exercised. Share capital will be credited at par for each share issued upon the exercise of share options, with share premium credited at the excess of net proceeds received over total share capital credited.

It should be noted that the value of options calculated using the Black-Scholes Model is based on various assumptions and is only an estimate of the fair value of share options granted during the year. It is possible that the financial benefit accruing to the grantee of an option will be considerably different from the value estimated using the Black-Scholes Model at the measurement date.

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SUBSTANTIAL SHAREHOLDER

At 31 December 2003, the following person (other than a director or chief executive of the Company) had an interest in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the SFO to be interested, directly or indirectly, in 5% or more of the voting shares of the Company:

Name of substantial shareholder	Interest in shares	Interest in shares	Percentage of issued shares
		underlying equity derivatives (Note)	
E2-Capital (Holdings) Limited	180,000,000	41,666,666	6.10%

Note: This refers to the interest in the underlying shares derived from the 5% guaranteed convertible notes issued by SIIS Treasury Limited, a wholly-owned subsidiary of the Company.

Save as disclosed above, no person (other than a director or chief executive of the Company) had any interest or short position in any shares or underlying shares of the Company as recorded in the register kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2003:

(A) The percentage of the aggregate amount of purchases attributable to the Group's major suppliers are as follows:

- the largest supplier 29%
- five largest suppliers combined 37%

(B) The aggregate amount of sales attributable to the Group's five largest customers represented less than 30% of the Group's total sales.

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 customers or suppliers noted above.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2003, the Group entered into certain transactions which constituted connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and are thus required to be disclosed in accordance with Chapter 14 of the Listing Rules.

(A) Connected transactions entered into during the year

The connected persons mainly refer to SBI E2-Capital Limited ("SBI E2-Capital") and its subsidiaries (collectively the "SBI E2-Capital Group"), E2-Capital (Holdings) Limited ("E2-Capital") and its subsidiaries, SIIS Investment Management Limited ("SIM", formerly known as Softbank China Venture Investments Limited), Mr Wong Sin Just, Mr Li Shui, Lai Fai International Holdings Limited ("Lai Fai") and Fung Choi Properties Limited ("Fung Choi"). SBI E2-Capital is a subsidiary of the Company during the year up to 17 December 2003. E2-Capital, indirectly owns 49% equity interest in SBI E2-Capital, hence a substantial shareholder of the Company's former subsidiary. In addition, Mr Wong Sin Just, an executive director of the Company, is also an executive co-chairman and a substantial shareholder of E2-Capital. SIM is a wholly-owned subsidiary of the Company's former substantial shareholder, Softbank Investment Corporation, up to 25 November 2003 (and thereafter, become an indirect wholly-owned subsidiary of the Company). Mr Li Shui, a former non-executive director of the Company (resigned on 3 October 2003), is also a substantial shareholder of Lai Fai. Fung Choi is a company indirectly owned as to 60% by Mr Yu Kam Kee, Lawrence, an executive director of the Company.

- (1) Partial disposal of interest in SBI E2-Capital Holdings Limited (formerly known as SBI E2-Capital Holdings Pte Ltd). Details are set out in note (j) under note 33 to the accounts.
- (2) Provision of undertakings to the Monetary Authority of Singapore and indemnities to E2-Capital. Details are set out in note (i) under note 33 to the accounts.
- (3) The share subscription agreement and the share purchase agreement in relation to SBI E2-Capital Securities Pte Ltd and SBI E2-Capital Brokerage Limited respectively. Details are set out in note (k) under note 33 to the accounts.
- (4) Acquisition of the entire equity interest in SIM. Details are set out in note (l) under note 33 to the accounts.
- (5) Partial disposal of equity interest in SBI E2-Capital. Details are set out in notes (m) and (n) under note 33 to the accounts.

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CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS (continued)

- (6) During the year, the Group entered into a number of continuing connected transactions as follows:
- (i) the provision of corporate finance services by SBI E2-Capital Group to the Group (the "Corporate Finance Services");
 - (ii) the provision of securities placing, securities broking, custodian services and margin financing services by SBI E2-Capital Group to the Group (the "Securities Broking Services");
 - (iii) the provision of marketing services, technology solutions and consulting services by ebizal (Holdings) Limited (a wholly-owned subsidiary of the Company) and its subsidiaries to E2-Capital and its subsidiaries (the "Marketing Services"); and
 - (iv) the provision of management consultancy, technical consultancy, legal advisory, company secretarial, human resources and administrative services by the Company to SIM (the "Consultancy Services").

Details were set out in notes (a), (b) and (o) under note 33 to the accounts.

- (7) During the year, the Company paid to Fung Choi a total of HK\$1,667,000 for rental expenses under the tenancy agreement entered with Fung Choi in August 2002. Details are set out in note (f) under note 33 to the accounts.
- (8) During the year, Ebizal Marketing (Hong Kong) Limited, a wholly-owned subsidiary of the Company, received from Lai Fai service income of HK\$551,000 for providing marketing and public relation services. Details are set out in note (b) under note 33 to the accounts.
- (9) During the year, SBI E2-Capital Group received advisory fee of HK\$526,000 from Mr Li Shui and placing commission of HK\$819,000 from Lai Fai. Details are set out in note (d) under note 33 to the accounts.

Save as disclosed above, no contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or its subsidiaries 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.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS (continued)

(B) Waiver application

Upon application made by the Company, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granted to the Company a waiver from strict compliance with the disclosure requirements of Chapter 14 of the Listing Rules in respect of transactions (6) mentioned above which constituted connected transactions (the "Transactions") as defined in the Listing Rules. The Transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that:

- (a) the Transactions were entered into by the Group in the ordinary and usual course of its business;
- (b) the Transactions were conducted either (i) on normal commercial terms; or (ii) on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (c) the Transactions were entered into either (i) in accordance with the terms of the agreements (if any) governing such Transactions; or (ii) where there is no such agreements, on terms no less favourable than those available to (or from, as appropriate) independent third parties;
- (d) the Transactions were conducted in accordance with the pricing policies of the Group; and
- (e) during the financial year concerned, each of the aggregate fees in respect of (i) the Corporate Finance Services; (ii) the Securities Broking Services; (iii) the Marketing Services; and (iv) the Consultancy Services did not exceed the higher of either HK\$10,000,000 or 3% of the audited book value of the consolidated net tangible assets of the Group as at 31 December 2003.

In addition, the board of directors of the Company has received from the auditors a letter in respect of the Transactions for the year ended 31 December 2003 confirming that they have reviewed such Transactions and performed procedures to:

- (a) ensure that the Transactions have been approved by the board of directors of the Company;
- (b) verify that the Transactions have been entered in accordance with the pricing policies as stated in the Annual Report;
- (c) verify that the Transactions have been entered into in accordance with the terms of the relevant agreements governing such Transactions or terms mutually agreed by relevant parties; and
- (d) ensure that each of the aggregate fees of the Transactions has not exceeded the higher of either HK\$10,000,000 or 3% of the audited book value of the consolidated net tangible assets of the Group, as agreed with the Stock Exchange.

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DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this report, the following directors (not including independent non-executive directors) of the Company have interests in the 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(2) of the Listing Rules:

Name of director	Name of company	Nature of competing business	Nature of interest
Wong Sin Just	e2-Capital Venture Ltd.	Venture capital	Director and indirect interest in shares
	Softbank Asia Net-Trans Fund Ltd.	Venture capital	Director
Wong Kean Li	Softbank Asia Net-Trans Fund Ltd.	Venture capital	Director
Wang Ruiping	Softbank Asia Net-Trans Fund Ltd.	Venture capital	Director

Although the companies listed above operate in a similar field as certain division of the Company, the board believes that the directors concerned are able to manage any potential conflicts of interests arising from their respective directorships and/or interest in such companies. In addition, the board believes that the strategic and business policies of such companies are significantly different to those of the Group.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules at any time during the year.

AUDIT COMMITTEE

The members of the Audit Committee of the Company are Dr Lo Wing Yan, William (the chairman), Mr Chan Kai Yu, Rudy and Mr Yu Kam Yuen, Lincoln. The Audit Committee has 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 audited accounts for the year.

AUDITORS

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

On behalf of the Board

YU KAM KEE, LAWRENCE
Chairman

HONG KONG, 19 March 2004