

REPORT OF THE DIRECTORS

The directors present herewith their annual report together with the audited financial statements for the year ended 31 December 2003.

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, operation of recreational clubs and investment holding. During the year, the Group acquired certain subsidiaries and a business of which the principal activities are wholesale and retail of fashion wear and accessories and marketing and distribution of network cards, respectively.

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 2003 are set out in the financial statements on pages 66 to 68.

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	24%	
Five largest customers in aggregate	36%	
The largest supplier		15%
Five largest suppliers in aggregate		49%

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 2003 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 16 to 68.

DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2003 (2002: 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 25 on the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30 on the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in note 31 on the financial statements.

DIRECTORS

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

EXECUTIVE DIRECTORS

Joseph Wing Kong LEUNG
James C. NG
Derek Wai Choi LEUNG
Wing Tung YEUNG

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Wai Pun LAU
Jen CHEN (appointed on 24 February 2003)
Cheng Fen CHAO (resigned on 24 February 2003)

In accordance with article 101 of the Company's articles of association, Messrs. Joseph Wing Kong LEUNG and Derek Wai Choi LEUNG 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS, UNDERLYING SHARES AND DEBENTURES

The directors who held office at 31 December 2003 had the following interests in the shares of the Company, its subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' interests and short positions required to be kept under section 352 of the SFO:

Interests in issued shares	Ordinary shares of HK\$0.01 each of the Company Corporate interests	Percentage of total issued shares
Joseph Wing Kong LEUNG	200,000	0.012%

Apart from the foregoing, none of the directors of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company or any of its subsidiaries as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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 2003 was 243,415,800 shares (including options for 1,320,000 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 2003. 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 2,318,000 options issued under the Old Scheme lapsed.

At 31 December 2003, the employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 31 December 2003 was HK\$0.232). The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.01 each of the Company.

	Number of options outstanding at the beginning of the year	Number of options lapsed during the year	Number of options outstanding at the end of the year	Date granted	Price per share on exercise of options
Granted under the Old Scheme:					
Employees	3,638,000	2,318,000	1,320,000	11 October 1999 to 18 September 2000	HK\$0.63 to HK\$1.90

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

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.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The Company has been notified of the following interests in the Company's issued shares at 31 December 2003 amounting to 5% or more of the ordinary shares in issue:

Substantial shareholders	Ordinary shares of HK\$0.01 each		Total number of ordinary shares held	Percentage of total issued shares
	Direct interests	Indirect interests		
Diamond Leaf Limited	162,884,503	—	162,884,503	9.8%
Solution Bridge Limited	408,757,642	—	408,757,642	24.8%
Ms Nina KUNG (<i>Note</i>)	—	571,642,145	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 interests in Diamond Leaf Limited and Solution Bridge Limited.

Apart from the foregoing, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

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, sold or redeemed 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 2003 are set out in notes 24 and 26 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 69 and 70 of the annual report.

RETIREMENT SCHEMES

The Group principally operates a number of defined contribution retirement schemes and Mandatory Provident Fund Schemes 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 27 on the financial statements.

CONNECTED TRANSACTIONS

The Company entered into a tenancy agreement with Hollywood Palace Company Limited, a company controlled by a substantial shareholder, in respect of the letting of Suites 1502, 1521 and 1522 on the 15th Floor, Chinachem Golden Plaza, 77 Mody Road, Tsimshatsui East, Kowloon, Hong Kong with a gross floor area of approximately 11,282 square feet for a term of two years from 1 May 2001 to 30 April 2003 at a monthly rental of HK\$203,076. The tenancy agreement was renewed on 28 May 2003 for a further period of two years from 1 May 2003 to 30 April 2005 at a monthly rental of HK\$157,948, with six months' rent-free period over the lease term.

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 throughout the year with the Code of Best Practice (the "Code") as set out by the Stock Exchange in Appendix 14 to the Listing Rules 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 Wing Kong LEUNG

Chairman

Hong Kong, 30 March 2004