

The directors present their annual report and the audited financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) property investment business, (ii) entertainment media business, (iii) media shopping business, (iv) telecommunication business and (v) financial services business.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 25.

RESERVES

In view of the losses maintained by the Company, the directors are of the view that the Company had no reserves available for distribution as at 31 December 2006.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

The investment properties of the Group are set out in note 13 to the financial statements.

Investment properties were valued at their open market value at 31 December 2006 by Vigers Appraisal & Consulting Limited, an independent professional valuer. This valuation gave rise to fair value gains of approximately HK\$1,037,000 which has been credited to the consolidated income statement.

SHARE CAPITAL

Details of movements in the Company's issued share capital and options and during the year and outstanding as at 31 December 2006 are set out in notes 22, 24 and 25 to the financial statements.

DIRECTORS

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

Executive Directors:

Michele Matsuda	
Yiu Ying Fai	(appointed on 26 May 2006)
Leung To Kwong, Valiant	
Cheung Chi Fai, Frank	
Daijiro Nishihama	(resigned on 21 March 2006)

Non-executive Director:

Shinji Yamamoto	(appointed on 16 February 2007)
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Independent Non-executive Directors:

Zhou Ji, Jason	
Chen Tien-yiu, Theodore	
Wong Tak Shing	(appointed on 1 April 2006)
Keiji Hasegawa	(resigned on 1 September 2006)

In accordance with clauses 86(2) and 87(1) of the Company's bye-laws, Messrs. Yiu Ying Fai, Shinji Yamamoto, Zhou Ji, Jason and Chen Tien-yiu, Theodore will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the directors, including those directors who are proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company, which is not determinable within one year without payment of compensation, other than statutory compensation.

The terms of office for the Non-executive Director and each Independent Non-executive Director are contracted for 2 years.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors and senior management are as shown below:

Executive Directors

Michele Matsuda, aged 43, was appointed as Chairman, Chief Executive Officer and Executive Managing Director on 14 March 2003. He has more than 15 years experience in the technology sector and has expertise in technical solutions, technical management and business operational management. Mr. Matsuda has been appointed as a director of Technology Administration Division of Nomura Securities International, Inc from 1986 to 1996. He is one of the founders and a director of Trans Pacific Telecom Group, which has various telecommunication licences in UK, USA, Japan and Hong Kong.

Yiu Ying Fai, aged 48, was appointed as Vice Chairman and Executive Director on 26 May 2006. He holds a Bachelor of Commerce degree from University of Melbourne and a Postgraduate Diploma in Hotel Management in Switzerland. He is a qualified accountant and members of both the Hong Kong Institute of Certified Public Accountants and CPA Australia. He has over 5 years professional experience with one of the big five accountancy firms specialising in corporate recovery and restructuring, liquidation and receivership. Mr. Yiu had previously worked in the Company as Executive Director since September 2000 and was appointed as Vice Chairman in January 2001 and he left the Company on 12 July 2004. Mr. Yiu has over 15 years senior management experience, including the Company and in an international group of companies with business interests in garment trading and manufacturing, hotel management, property development and investment.

BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

Executive Directors *(continued)*

Leung To Kwong, Valiant, aged 44, was appointed as Executive Director on 14 March 2003. Mr. Leung graduated from the City University of New York with a Bachelor's degree in Electrical Engineering in 1986 and a master degree in business administration in 1988. He has extensive experience in telecommunication industry for more than 14 years. Mr. Leung has been appointed as senior management positions in various international companies, ranging from international network service provider, equipment vendor and Telecom Type 1 Carrier.

Cheung Chi Fai, Frank, aged 44, joined the Board on 25 March 2004. Mr. Cheung holds an MBA from University of Technology, Sydney and is a qualified accountant and member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants with a lot of experience in corporate finance exercises. He is also a veteran in the telecommunication value added services industry and was a director of New Media Corporation, a leader in the international VAS industry and involved in telecommunication's VAS business for more than 11 years.

Non-executive Director

Shinji Yamamoto, aged 25, was appointed as Non-executive Director on 16 February 2007. Mr. Yamamoto graduated from the Law Department of the Teikyo University in Japan since 2004. He had been appointed as a director of Ichiya Co., Ltd. ("Ichiya"), a company incorporated in Japan with limited liability and its shares are listed on the Jasadq Securities Exchange with stock code no. 9968, since 2004. Currently, he is the President and Representative Director of Ichiya, which is also a redeemable convertible bond holder of the Company.

Independent Non-executive Directors

Zhou Ji, Jason, aged 43, was appointed as Independent Non-executive Director on 16 May 2002. Mr. Zhou studied at the Medical School of Beijing University for the period from 1982 to 1985. He holds a Bachelor's degree in Electrical Engineering from Washington State University and a Master Degree in Biomedical Engineering from Drexel University, Philadelphia, USA. In addition to Mr. Zhou's expertise on electrical and biomedical engineering, he also has extensive experience in finance and assets management field since 1994. Mr. Zhou has acted as senior management of various finance companies in USA, Hong Kong and PRC. He now acts as the General Manager of the Investment Banking Division of China Galaxy Securities Company Limited in Beijing, PRC.

Chen Tien-yiu, Theodore, aged 60, was appointed as Independent Non-executive Director on 24 September 2004. Professor Chen holds a master degree in business administration from The University of British Columbia and is an experienced and qualified accountant. He is a Professor and the Head of the Department of Accounting of Hong Kong Shue Yan University. He is also the President of Certified Management Accountants Society of British Columbia, Canada, Hong Kong Branch. Professor Chen has over 15 years of experience in teaching and research in the academic field as well as over 20 years in management of various significant listed companies and government departments in Canada.

Wong Tak Shing, aged 44, was appointed as Independent Non-executive Director on 1 April 2006. Mr. Wong holds a Bachelor's degree in Social Science (Business Economics and Accounting) from University of Southampton, United Kingdom in 1985 and a Postgraduate Diploma in Financial Management from University of New England, Australia in 1988. He is an associate member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in finance, accounting, corporate finance, personnel and administration for operations in Hong Kong, the People's Republic of China and Taiwan, including 11 years of experience in publication and television industry in Hong Kong. Mr. Wong is an executive director, the deputy chairman, the authorised representative, the qualified accountant and the company secretary of Union Bridge Holdings Limited which is listed on The Stock Exchange of Hong Kong Limited with stock code no. 8047.

SHARE OPTION SCHEME

The Company adopted its share option scheme on 16 May 2002 (“the Option Scheme”), to adopt the changes in the Chapter 17 of the Listing Rules, under which the Company may grant options to any Executive or Non-Executive Directors, any executives and employees and those persons who have contributed or will contribute to the Group as incentive schemes and rewards.

Details of the share options outstanding as at 31 December 2006 which have been granted under the Option Scheme are as follows:

	Subscription price/share (HK\$)	Option Grant Date	Exercisable Period	No. of Options Granted	No. of Share Options ('000)				No. of Options outstanding at 31 December 2006
					No. of Options held at 1 January 2006	No. of Options granted during the year	No. of Options exercised during the year	No. of Options lapsed during the year	
<i>Directors</i>									
Michele Matsuda	5.780	25/05/2005	25/5/2005 – 24/5/2015	2,000	2,000	-	-	-	2,000
Yiu Ying Fai	3.255	26/05/2006	26/5/2006 – 25/5/2008	100	-	100	-	-	100
Leung To Kwong, Valiant	2.000	02/06/2003	2/12/2003 – 1/6/2006	438	118	-	(118)	-	-
	3.460	28/10/2004	28/10/2004 – 27/10/2006	102	102	-	-	(102)	-
Cheung Chi Fai, Frank	3.460	28/10/2004	28/10/2004 – 27/10/2006	100	100	-	-	(100)	-
Daijiro Nishihama*	6.500	26/01/2005	26/1/2005 – 25/1/2007	300	300	-	-	-	300

* Mr. Nishihama resigned as director of the Company on 21 March 2006

DIRECTORS' REPORT

SHARE OPTION SCHEME (continued)

	Subscription price/share (HK\$)	Option Grant Date	Exercisable Period	No. of Options Granted	No. of Share Options ('000)				No. of Options outstanding at 31 December 2006
					No. of Options held at 1 January 2006	No. of Options granted during the year	No. of Options exercised during the year	No. of Options lapsed during the year	
Continuous Contract employees (1)	2.000	02/06/2003	2/12/2003 – 1/6/2006	334	100	-	(100)	-	-
Continuous Contract employees (2)	6.900	05/01/2005	5/1/2005 – 4/1/2007	40	40	-	-	-	40
Continuous Contract employees (3)	6.500	26/01/2005	26/1/2005 – 25/1/2007	55	40	-	-	-	40
Others (1)	6.900	05/01/2005	5/1/2005 – 4/1/2007	20	20	-	-	-	20
Others (2)	3.965	19/01/2006	19/1/2006 – 18/1/2008	200	-	200	-	-	200

Particulars of the Company's share option scheme are set out in note 25 to the financial statements. The average closing price of the Company's shares immediately before the date on which the share options were exercised was HK\$2.90.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts 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, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 December 2006, the interests and short positions of the directors and chief executives of the Company and their associates in the shares and underlying shares of the Company as recorded in the register to be kept under Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(1) Ordinary shares of HK\$1.00 each of the Company

Name of director	Capacity	Number of shares	Percentage of the issued ordinary share capital of the Company
Michele Matsuda	Held by controlled corporation (<i>note 1</i>)	8,057,000	8.94%
Leung To Kwong, Valiant	Beneficial owner (<i>note 2</i>)	173,000	0.19%
Cheung Chi Fai, Frank	Beneficial owner (<i>note 3</i>)	125,000	0.14%

(2) Share options

Name of director	Capacity	Number of options held	Number of underlying ordinary shares
Michele Matsuda	Beneficial owner (<i>note 1</i>)	2,000,000	2,000,000
Yiu Ying Fai	Beneficial owner	100,000	100,000
Daijiro Nishihama	Beneficial owner (<i>note 4</i>)	300,000	300,000

Notes:

- (1) Michele Matsuda held 2,000,000 options in his own name, which can be converted into 2,000,000 ordinary shares of the Company, and held 8,056,000 ordinary shares of the Company through e-Compact Limited, a company wholly owned by Anglo Japan Enterprises Limited and beneficially owned by him. The remaining 1,000 ordinary shares are beneficially held by himself.
- (2) Leung To Kwong, Valiant held 173,000 ordinary shares of the Company and 220,000 options in his own name, which can be converted into 220,000 ordinary shares of the Company. Mr. Leung has exercised 118,000 options in March 2006 and the remaining 102,000 options were lapsed in October 2006.
- (3) Cheung Chi Fai, Frank held 125,000 ordinary shares of the Company and 100,000 options in his own name, which can be converted into 100,000 ordinary shares of the Company. The 100,000 options were lapsed in October 2006.
- (4) Daijiro Nishihama held 300,000 options, which can be converted into 300,000 ordinary shares of the Company. Mr. Nishihama resigned as director of the Company on 21 March 2006.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES *(continued)*

Certain Executive Directors of the Company have been granted share options under the Company's share option schemes (details are set out under the section of Share Option Scheme above). These constitute interests in underlying shares of the Company under the SFO.

Save as disclosed above, as at 31 December 2006, no interests and short position in the shares or underlying shares were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or any of their respective associates which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTION

Significant related party transactions entered into by the Group during the year ended 31 December 2006, among which, notes 26 and 27 had disclosed the acquisition of Million Year Consultants Limited and the disposal of New Power Limited respectively and these transactions constituted connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Connected Transactions") while others do not constitute Connected Transactions and are disclosed in notes 15, 19, 21, 26, 27, 31 and 34 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of directors and chief executives, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

(a) Ordinary shares of HK\$1.00 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares	Percentage of the issued ordinary share capital of the Company
Quants Inc.	Beneficial owner <i>(note 1)</i>	21,274,500	23.59%
T&C Capital Inc.	Beneficial owner <i>(note 2)</i>	9,000,000	9.98%
Michele Matsuda	Beneficial owner & Held by controlled corporation <i>(note 3)</i>	8,057,000	8.94%
Freparnetworks Inc.	Beneficial owner <i>(note 4)</i>	5,015,000	5.56%

SUBSTANTIAL SHAREHOLDERS *(continued)*

(b) Share options

Name of shareholder	Capacity	Number of ordinary shares	Number of underlying ordinary shares
Michele Matsuda	Beneficial owner <i>(note 3)</i>	2,000,000	2,000,000

Notes:

- (1) Quants Inc. ("Quants") entered into agreement with Station Investments Limited ("Station") at end of March 2005 to acquire 800,000,000 convertible preference shares ("CPS") from Station. During March 2006, Quants had converted all the remaining CPS into ordinary shares of the Company. Quants further acquired ordinary shares of the Company from the market and at the date of this annual report, Quants held 22,724,500 ordinary shares of the Company.
- (2) T&C Capital Inc. ("T&C"), beneficially owned by T & C Holding Inc., had converted all the remaining CPS into ordinary shares of the Company during the year 2005. As a result, T&C held 9,000,000 ordinary shares of the Company.
- (3) Mr. Matsuda held 2,000,000 options and 1,000 ordinary shares in his own name and 8,056,000 ordinary shares through e-Compact Limited, a company wholly owned by Anglo Japan Enterprises Limited and beneficially owned by him.
- (4) Freparnetworks Inc. ("Frepar") has satisfied the condition under a conditional agreement dated 21 December 2004 made with the Company and was further allotted 294,000,000 ordinary shares of HK\$0.01 each on 6 December 2005. As a result, Frepar held 4,900,000 ordinary shares of HK\$1.00 each of the Company after the share consolidation in December 2005. As at 31 December 2006, Frepar held 5,015,000 ordinary shares of HK\$1.00 each of the Company.

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 45%
- five largest suppliers combined 79%

Sales

- the largest customer 68%
- five largest customers combined 78%

None of the directors, their associates or any shareholders (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 noted above.

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

The Company has not redeemed any of its securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

CORPORATE GOVERNANCE

A report on the principal corporate governance practice adopted by the Company is set out in pages 9 to 13 of the annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and the laws in Bermuda.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

There is no information required to be disclosed pursuant to the Listing Rules.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events after balance sheet date are set out in note 36 to the financial statements.

AUDITOR

The financial statements have been audited by Horwath Hong Kong CPA Limited who retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint Horwath Hong Kong CPA Limited as auditor of the Company.

On behalf of the Board

Michele Matsuda

Chairman

Hong Kong, 17 April 2007