ANNUAL REPORT 2003

enewmedia

e-New Media Company Limited

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Joseph Wing Kong LEUNG *(Chairman)*
James C. NG *(Chief Executive Officer)*
Derek Wai Choi LEUNG
Wing Tung YEUNG

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Wai Pun LAU
Jen CHEN

COMPANY SECRETARY

Pui Man CHENG

AUDITORS

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking Corporation Limited
JPMorgan Private Bank
International Bank of Asia Limited
United Commercial Bank

SOLICITORS

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

Suite 1502, 15th Floor
Chinachem Golden Plaza
77 Mody Road, Tsimshatsui East
Kowloon, Hong Kong

INCORPORATION IN HONG KONG

27 April 1966

LISTING

16 November 1972

NO. OF EMPLOYEES

274

WEB SITE

www.enewmedia.com

STOCK CODE

Hong Kong Stock Exchange: 0128
American Depositary Receipt: ENEWY

CORPORATE COMMUNICATIONS

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CHAIRMAN'S STATEMENT

For the year ended 31 December 2003, the Group recorded a turnover of HK$138,600,000, representing a decrease of 28% when compared to that of last year. Loss attributable to shareholders was HK$34,069,000, representing a decrease of 71% from the previous year.

The decrease in turnover was primarily due to the recession in the telecommunications industry and the decline in the business of the Clubs, in large part due to the outbreak of the Severe Acute Respiratory Syndrome in the first half of the year.

The Group entered into an agreement with strategic partners to convert the Shanghai Hilltop Country Club into a spa resort with a 4-Star hotel complex. The Shanghai Club was closed towards the end of last year for renovations, and the project is estimated to be completed by the end of 2004.

In October 2003, the Group acquired a 60% interest in The Swank Shop Limited ("Swank"). Swank operates a chain of boutiques and counters retailing premium fashion and the name "Swank" is synonymous with imported luxurious fashion. This acquisition enabled the Group to enter into the premium brand retail business. With the influx of Chinese tourists through the Individual Visit Scheme and continued economic improvement, the Group believes that the current growth in high end retail trade in Hong Kong will continue and is optimistic that Swank can bring to the Group tremendous opportunities in the premium brand retail business.

The Management Discussion and Analysis is set out on pages 3 to 6.

I would like to take this opportunity to thank my fellow directors, dedicated employees, our supportive shareholders and our business partners for their confidence and continued support in the Group.

Joseph Wing Kong LEUNG
Chairman

Hong Kong, 30 March 2004

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group reported a turnover of HK$138,600,000 (2002: HK$193,359,000) and consolidated loss attributable to shareholders amounted to HK$34,069,000 (2002: HK$119,435,000) for the year ended 31 December 2003. The reported loss represented a 71% decrease as compared with that of the previous year. Basic and diluted loss per share was 2.1 HK cents (2002: 7.2 HK cents).

BUSINESS REVIEW

PREMIUM FASHION — THE SWANK SHOP LIMITED ("SWANK")

In 2003, the Group became a strategic partner (60%) of Swank. Swank is one of the most prestigious and recognised names in premium fashion retailing to selected loyal customers through a chain of boutiques and counters in major high-end department stores in Hong Kong.

Swank has over 48 years of experience in operating premium retail shops in Hong Kong and the name Swank has become synonymous with luxury and style when it comes to fashion. Currently, Swank carries some of the most sought after brands from Europe and across the world through distribution arrangements, joint ventures and management agreements. Management believes that such valuable experience and assets will take Swank into an even stronger position for future expansion in Hong Kong and the PRC. Currently, management is undertaking studies to pursue retailing venues in the near future in various major cities in the PRC including Beijing, Shanghai and others.

The Group immediately benefited from the positive performance of Swank. Going ahead, the Group believes Swank will enter into a new era with the rebound in consumer confidence in Hong Kong and the influx of Chinese tourists through the Individual Visit Scheme.

CLUB MANAGEMENT

Shanghai

During the first half of 2003, the Club experienced a significant drop in sales, largely due to the outbreak of Severe Acute Respiratory Syndrome ("SARS"). Cost-reduction programs were immediately implemented in response. Business started to recover steadily from July with occupancy rate rebounding to 80% by the end of August. Such rebound in occupancy rate has continued since.

Since July, the Club has co-operated with Shanghai Landis Hospitality Management Co. Ltd. ("SLHM"), a hotel management company based in Shanghai in which the Group has a 20% interest, to convert the Club into a Spa and 4-Star Hotel. The Club was temporarily closed in December for major renovations, with the expectation from SLHM that work will be completed by the end of 2004. The Club is forecast to contribute to the Group's profit within one year after re-opening.

CLUB MANAGEMENT (CONTINUED)

Hong Kong

The impact of SARS reduced member patronage to less than half its normal level during March and April to such an extent that the Western Restaurant's evening service was suspended. Normal business momentum gradually returned during the latter part of the year. A variety of sales promotion and marketing activities were introduced to boost trading in the intensely competitive environment brought about by reduced demand. Such measures, together with stringent cost controls and an improvement in the number of visitors to Hong Kong later in the year contributed to a reasonably satisfactory result by the year-end.

BIO-MEDICAL

Cardima Inc. ("Cardima")

Listed on NASDAQ and based in California, Cardima is developing an innovative micro-catheter, Revelation Tx microcatheter system, for treatment of atrial fibrillation (irregular heartbeat) which affects an estimated 4.5 million individuals worldwide.

In a meeting in May 2003, the US Food and Drug Administration's ("US FDA") Circulatory System Device Panel provided Cardima and the US FDA with several suggestions on how to re-examine existing data and on the collection of additional data on existing patients, allowing a Pre-Market Approval application to be re-compiled and re-submitted in January 2004, which management feels is a very positive development.

Genovate Biotechnology Company Limited ("Genovate")

Genovate (founded in Taiwan in 1993 by Genelabs Technologies, Inc. of the USA) is a fully integrated pharmaceutical company, encompassing in its operation: new drug development and new formulation capability; clinical trials for local and international pharmaceutical companies; drug manufacturing; drug marketing and distribution in Taiwan.

Genovate has a range of new drug products in the pipeline. The newly developed drug "Prestara", co-developed by Genelabs Technologies and Genovate for treatment of lupus, received an approvable letter from the US FDA in August 2002. Subject to a successful confirmatory clinical trial, the market launch of the product is expected to be some time in 2004. "Genetaxyl" is an improved version of Paclitaxel (BMS' Taxol) developed by Genovate for treatment of breast cancer. The drug received an approval licence in Taiwan in January 2003. In addition, two drug products have completed clinical studies in Taiwan: "Urotrol", a new drug for treatment of urinary incontinence; and "Glusafe", for the treatment of diabetes.

In 2003, Genovate made a strategic investment, becoming one of the founding shareholders of Pharmaessentia Corp. ("PME"). PME, based in Taiwan, was founded by a group of scientists having a recognised capability in drug research and development in the Taiwan pharmaceutical industry. The investment is aimed at providing Genovate with access to a continuum of new drug products for future growth.

TELECOMMUNICATIONS

International Premium Rate Services ("IPRS")

Trading conditions of the telecommunications market worldwide continued to be sluggish in 2003. As a result, traffic volume as well as revenue were further reduced. While the US IPRS market proved to be suffering a longer-term recession than most had originally anticipated, Japan and some major European markets were also dampened by a general trend of tariff reduction, thus affecting profitability on the whole.

To reverse this downward trend, management has taken an active course of action and revamped the existing business model using a more proactive and coordinated approach with its chain of suppliers. Management anticipates that traffic volume, payment rates and payment quality will be improved by securing these new business arrangements. As a result, management believes that improvements in several markets should be forthcoming.

Notwithstanding the current difficult market conditions, the Group maintained some of the investments made in what management believed to be the strategic locations for IPRS service. Given the cyclical nature of the IPRS business, management had reasons to believe a number of these strategic locations will be due for recovery in the short to medium term; and by maintaining our presence, the Group will be leading the market as well as the competition when the situation turns around.

Management is also pleased to report that the Group has continued to maintain excellent relationships with major carriers around the world. While further steps have been taken to fortify the relationships with these long term partners, management is reaching out to the world concentrating on acquiring new carrier partners with an aim to provide our customers with innovative and reliable services.

Despite the extremely difficult circumstances affecting the telecommunications industry in 2004 and in particular the IPRS market, management took significant and effective action to improve business performance, reduce redundant overhead and provide for a more flexible base to respond and adapt more effectively to market changes.

Wireless Network Card Business

Shanghai ENM Telecom & Technology Limited ("SENMTT") commenced operations in July by marketing and distributing GPRS network cards with China Mobile Shanghai. In October, SENMTT expanded its business by cooperating with China Unicom Shanghai for its CDMA1X network cards under the same business model. In 2004, management plans to further expand the business in Shanghai and explore new opportunities in the Guangdong area.

OTHER INVESTMENTS

ChinaPay.com Holdings Limited ("ChinaPay")

ChinaPay's main business is providing B2C electronic payment and intra-bank fund transfer solution services in the PRC through its Joint Venture, ChinaPay e-Payment Service Company Limited ("ChinaPay e-Payment"), with China UnionPay. Although, as projected, ChinaPay e-Payment activities did not contribute to ChinaPay's bottom line in 2003, there was significant improvement in its revenue performance during the year as a result of the introduction of on-line mutual fund investment transaction services. In 2004, ChinaPay e-Payment plans to expand its business to other major cities in the PRC from its hub in Shanghai.

Beijing Smartdot Technologies Co. Ltd. ("Smartdot")

Smartdot's operations were significantly impacted in a number of ways by the outbreak of SARS, and it also faced strong competition in the software development market in the PRC, resulting in a deficit result for 2003. However, during the last quarter of 2003, Smartdot managed to secure a number of contracts/projects and it is expected that its performance will improve in 2004. However, under the Group's conservative policy, management decided to write off the goodwill in this investment, amounting to approximately HK$14.5 million.

LIQUIDITY AND FINANCIAL POSITION

At 31 December 2003, the Group was in a solid financial position with a cash and deposit holdings of HK$635,058,000 (2002: HK$621,112,000). At 31 December 2003, total borrowings stood at HK$61,931,000 (2002: HK$63,651,000) with HK$52,787,000 (2002: HK$56,427,000) repayment falling due within one year. The Group's gearing ratio (a comparison of total borrowings with total equity) was 6.8% at year-end (2002: 6.7%). Current ratio at 31 December 2003 was 4.7 times (2002: 5.4 times).

At 31 December 2003, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars and United States dollars and exchange differences were reflected in the audited financial statements. All borrowings of the Group are either interest free or on a floating rate basis.

In the reporting year, the Group did not resort to acquiring any financial instruments for hedging purposes.

PLEDGE OF ASSETS

Particulars of the pledges of assets of the Group and the Company are set out in note 21 on the financial statements.

EMPLOYEE AND REMUNERATION POLICIES

At the date of this report, the Group employs a total of 274 full time staff with its main workforce stationed in the Group's office in Hong Kong. The Group's remuneration policies are performance based and are in line with the salary trends in the respective locations. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, discretionary performance bonus, external training support and a performance-based share option scheme.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Joseph Wing Kong LEUNG, 57, is the Chairman of the Group. Mr. Leung joined the Group in December 2000 as Executive Director and became Chairman in March 2001. Mr. Leung is a Director of Chinachem Group companies. He has over 30 years of experience in finance and management in property development. Mr. Leung is a fellow of the Hong Kong Institute of Real Estate Administration and a member of the executive committee of Real Estate Developers Association of Hong Kong.

Mr. James C. NG, 60, is the Chief Executive Officer of the Group. Prior to joining the Group in March 2001, Mr. Ng served as the CEO of a local bank in Hong Kong. He is a Director of Chinachem Group companies and an Adviser of the Employer's Federation of Hong Kong.

Mr. Derek Wai Choi LEUNG, 53, joined the Group in December 2000. He holds a BSc (Engineering) degree and is also a qualified chartered accountant. Mr. Leung had been in the banking industry for 16 years and in charge of the treasury and capital markets division of a banking subsidiary of one of the largest banks in the world for about ten years. He joined Chinachem Group in early 1997 and is responsible for the international investments of Chinachem Group companies.

Mr. Wing Tung YEUNG, 49, joined the Group as Executive Vice President in October 2001 and became Director in November 2002. Mr. Yeung is responsible for the investments of the Group. Prior to his appointment, Mr. Yeung was the Personal Assistant to the Managing Director of a listed company in Hong Kong for more than ten years, in charge of project investments and developments in Hong Kong, PRC and South East Asia. He had also worked in an American Bank as Manager of Commercial Banking and an international audit firm as Auditor. Mr. Yeung obtained his MBA from Indiana University, USA in 1978 and passed the board examination of the American Institute of Certified Public Accountants in the same year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Raymond Wai Pun LAU, 54, joined the Group in March 2001. He is the Senior Partner of Ford, Kwan & Co. Solicitors & Notaries. He is a solicitor of the High Court of Hong Kong and he is also qualified to practise in the United Kingdom and the Australian Capital Territory. He is also a notary public and China-appointed Attesting Officer. Mr. Lau was a director of Pok Oi Hospital from 1987 to 1989 and a consultant of Pok Oi Hospital in 1990.

Dr. Jen CHEN, 49, joined the Group in February 2003. He has extensive experience and professional knowledge in the biopharmaceutical industry. Dr. Chen is the General Manager of Genovate Biotechnology Company Limited in Taiwan. Prior to this appointment, Dr Chen was the Vice President of Asian Operation in Genelabs Technologies, Inc. in the US. He had also worked in Novartis Pharmaceuticals Corporation for eight years in areas of new drug discovery and research. He is the author or co-author of more than 30 papers and ten patents in the field. Dr. Chen obtained his Ph.D. (Chemistry) from University of Rochester in New York, USA.

SENIOR MANAGEMENT

Mr. David Kin Hay HONG, 56, is the Managing Director of The Swank Shop Limited ("Swank"). Mr. Hong joined the family business in 1974 after his graduation from business studies in England. He was in charge of the manufacturing arm of Swank in the first few years. In the early 1980's, Mr. Hong moved on to the retail business unit and has headed Swank since 1991. Mr. Hong has valuable experience in high fashion retailing.

Mr. Hong was awarded by the French President with the titles of Chevalier de l'Ordre National du Merite in July 1996 and Chevalier de la Legion d'Honneur in June 2003.

Mr. Kenneth Sai Lai WONG, 42, joined the Group in July 2001 as Vice President - Investments. He is responsible for the Group's investment in Medical & Healthcare area. Prior to this appointment, Mr. Wong was the Vice President of Commercial Banking Business of First Pacific Bank, and Corporate Banking Officer of a major US bank where he gained international finance exposure in Chicago and New York. Before joining the banking industry, Mr. Wong had worked for an international accounting firm in performing project investment evaluation and feasibility study. Mr. Wong holds a Bachelor of Social Sciences Degree from the University of Hong Kong.

Ms. Gladys C. CHEN, 53, joined the Group as Chief Financial Officer in June 2001. Prior to her appointment, Ms. Chen was the Senior Vice President and Chief Financial Officer of a local bank in Hong Kong. She is a member of the American Institute of Certified Public Accountants.

Mr. Victor Yiu Keung CHIANG, 39, is the Financial Controller of the Group overseeing the financial management of the Group. He joined the Group in 2003 and has over 15 years' experience in professional accountancy practice and financial management experience with listed companies. Graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration, he is a fellow member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants. Mr. Chiang is also a Certified Public Accountant practising in Hong Kong.

Mr. Alex C.H. YIP, 31, joined the Group as Senior Legal Officer in September 2003. Prior to joining the Group, Mr. Yip practised corporate and commercial law in New York and Hong Kong and was associated with the New York law firms of Simpson Thacher & Bartlett LLP and Milbank, Tweed, Hadley & McCloy LLP. Mr. Yip worked on multiple billion US dollar transactions and has experience in mergers and acquisitions, private equity, securities and banking. He received his Juris Doctor degree from Boston College Law School in the US and his Bachelor of Arts degree in Economics and Political Science from University of Rochester in the US.

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.

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.

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:

	Ordinary shares of HK$0.01 each			
Substantial shareholders	**Direct interests**	**Indirect interests**	**Total number of ordinary shares held**	**Percentage of total issued shares**
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 *(Note)*	—	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

KPMG

TO THE SHAREHOLDERS OF e-NEW MEDIA COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 16 to 68 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
Hong Kong, 30 March 2004

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2003
(Expressed in Hong Kong dollars)

	Note	**2003**	2002
		$'000	*$'000*
Turnover	2 & 11	**138,600**	193,359
Cost of sales		**(42,848)**	(85,751)
Gross profit		**95,752**	107,608
Other revenue	3	**4,496**	1,539
Other net loss	3	**(17,965)**	(90,113)
Administrative and selling expenses		**(88,116)**	(77,134)
Other operating expenses		**(6,166)**	(27,956)
Loss from operations		**(11,999)**	(86,056)
Finance costs	4(a)	**(969)**	(1,253)
Share of profits less losses of associates		**(19,472)**	(1,792)
Impairment loss on goodwill		**—**	(30,000)
Loss from ordinary activities before taxation	4	**(32,440)**	(119,101)
Income tax	5(a)	**(111)**	(334)
Loss from ordinary activities after taxation		**(32,551)**	(119,435)
Minority interests		**(1,518)**	—
Loss attributable to shareholders	8 & 31	**(34,069)**	(119,435)
Loss per share	9		
- Basic and diluted		**(2.1) cents**	(7.2) cents

The notes on pages 23 to 68 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2003
(Expressed in Hong Kong dollars)

	Note	2003		2002	
		$'000	**$'000**	$'000	$'000
Non-current assets					
Fixed assets	12(a)				
- Investment properties			**3,600**		3,600
- Other property and equipment			**170,717**		161,365
			174,317		164,965
Goodwill	13		**8,667**		—
Interest in associates	15		**17,153**		29,121
Interest in jointly controlled entities	16		**—**		—
Other non-current financial assets	17		**91,897**		108,563
			292,034		302,649
Current assets					
Short term investments	18	**108,821**		102,082	
Inventories	19	**30,341**		368	
Trade and other receivables	20	**48,183**		73,163	
Amounts due from associates		**2,229**		—	
Pledged deposits	21	**47,536**		47,536	
Cash and cash equivalents	22	**587,522**		573,576	
Tax recoverable	29(a)	**331**		—	
		824,963		796,725	
Current liabilities					
Trade and other payables	23	**118,136**		85,646	
Bank loans, secured	24	**46,680**		46,680	
Current portion of debentures	25	**900**		4,540	
Other loans, unsecured	26	**5,207**		5,207	
Current taxation	29(a)	**5,496**		5,474	
		176,419		147,547	
Net current assets			**648,544**		649,178
Total assets less current liabilities carried forward			**940,578**		951,827

As at 31 December 2003
(Expressed in Hong Kong dollars)

	Note	2003		2002	
		$'000	**$'000**	$'000	$'000
Total assets less current liabilities brought forward			**940,578**		951,827
Non-current liabilities					
Debentures	25	**9,144**		7,224	
Deferred tax liabilities	29(b)	**117**		89	
			9,261		7,313
Minority interests			**20,006**		—
NET ASSETS			**911,311**		944,514
CAPITAL AND RESERVES					
Share capital	30		**16,507**		16,507
Reserves	31(a)		**894,804**		928,007
			911,311		944,514

Approved and authorised for issue by the board of directors on 30 March 2004.

Joseph Wing Kong LEUNG
Chairman

James C. NG
Chief Executive Officer

The notes on pages 23 to 68 form part of these financial statements.

BALANCE SHEET

As at 31 December 2003
(Expressed in Hong Kong dollars)

	Note	2003		2002	
		$'000	**$'000**	$'000	$'000
Non-current assets					
Fixed assets	12(b)				
- Investment properties			**3,600**		3,600
- Other property and equipment			**105,001**		100,001
			108,601		103,601
Interest in subsidiaries	14		**174,543**		169,106
Interest in associates	15		**556**		1,403
			283,700		274,110
Current assets					
Short term investments	18	**106,328**		100,044	
Trade and other receivables	20	**1,733**		31,527	
Pledged deposits	21	**47,536**		47,536	
Cash and cash equivalents	22	**555,872**		547,934	
		711,469		727,041	
Current liabilities					
Trade and other payables	23	**2,007**		2,167	
Amounts due to subsidiaries		**84,108**		54,692	
		86,115		56,859	
Net current assets			**625,354**		670,182
NET ASSETS			**909,054**		944,292
CAPITAL AND RESERVES					
Share capital	30		**16,507**		16,507
Reserves	31(b)		**892,547**		927,785
			909,054		944,292

Approved and authorised for issue by the board of directors on 30 March 2004.

Joseph Wing Kong LEUNG
Chairman

James C. NG
Chief Executive Officer

The notes on pages 23 to 68 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2003
(Expressed in Hong Kong dollars)

	Note	2003 $'000	2002 $'000
Shareholders' equity at 1 January		**944,514**	1,033,564
Surplus on revaluation of land and buildings held for own use	31(a)	**33**	—
Exchange differences on translation of the financial statements of foreign entities	31(a)	**833**	385
Net gains not recognised in the income statement		**866**	385
Loss attributable to shareholders for the year	31(a)	**(34,069)**	(119,435)
Movements in share capital			
- reduction of share capital	30	**—**	(808,822)
Movements in reserves			
- creation of special reserve under capital reorganisation scheme	31(a)	**—**	808,822
- transfer of goodwill reserve to the income statement			
- impairment loss on goodwill	31(a)	**—**	30,000
		—	838,822
Shareholders' equity at 31 December		**911,311**	944,514

The notes on pages 23 to 68 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2003
(Expressed in Hong Kong dollars)

	Note	**2003**	2002
		$'000	*$'000*
Operating activities			
Loss from ordinary activities before taxation		**(32,440)**	(119,101)
Adjustments for:			
- Depreciation		**11,664**	13,077
- Amortisation of goodwill		**267**	—
- Impairment loss on goodwill		**—**	30,000
- Impairment loss on goodwill included in share of profits less losses of associates		**14,519**	—
- Finance costs		**969**	1,253
- Dividend income from listed investments		**(4,162)**	(40,696)
- Dividend income from unlisted investments		**(3,409)**	—
- Interest income		**(7,140)**	(10,577)
- Share of profits less losses of associates		**4,953**	1,792
- (Write back of deficit)/deficit on revaluation of land and buildings		**(9,699)**	15,038
- Write back of provision for impairment loss on and non-recoverable amounts due from associates		**(171)**	(306)
- Impairment loss on fixed assets		**3,600**	—
- Net loss on disposal of fixed assets		**258**	56
- Net realised and unrealised loss on investments in securities		**17,707**	90,057
Foreign exchange loss/(gain)		**122**	(279)
Operating loss before changes in working capital		**(2,962)**	(19,686)
Decrease in inventories		**11,027**	84
Decrease in trade and other receivables		**6,160**	1,203
Decrease in trade and other payables		**(34,910)**	(2,606)
Net change in amounts due from associates		**(3,381)**	—
Cash used in operations		**(24,066)**	(21,005)
Interest received		**7,490**	10,487
Dividends received from listed investments		**4,162**	40,696
Dividends received from unlisted investments		**3,409**	—
Tax paid			
- Hong Kong Profits Tax paid		**(3)**	(1)
- Overseas tax paid		**(74)**	(275)
Net cash (used in)/from operating activities carried forward		**(9,082)**	29,902

For the year ended 31 December 2003
(Expressed in Hong Kong dollars)

	Note	2003	2002
		$'000	*$'000*
Net cash (used in)/from operating activities brought forward		**(9,082)**	29,902
Investing activities			
Payment for purchase of fixed assets		**(4,229)**	(684)
Payment for purchase of investments in securities		**—**	(30,692)
Net cash inflow in respect of acquisition of subsidiaries	32	**9,253**	—
Refund received/(deposits paid) in respect of acquisitions of securities and associates		**29,564**	(29,564)
Payment for purchase of associates		**(6,224)**	(2,966)
Payment for purchase of a business		**(754)**	—
Loans repaid by associates		**1,018**	3,340
Proceeds from sales of fixed assets		**7**	78
Proceeds from sale of investments in securities		**—**	1,928
Net cash from/(used in) investing activities		**28,635**	(58,560)
Financing activities			
Redemption of debentures		**(1,720)**	(6,196)
Repayment of bank loans		**(2,948)**	(6)
Other borrowing costs paid		**(1,085)**	(1,388)
Net cash used in financing activities		**(5,753)**	(7,590)
Net increase/(decrease) in cash and cash equivalents		**13,800**	(36,248)
Cash and cash equivalents at 1 January		**573,576**	609,736
Effect of foreign exchange rates changes		**146**	88
Cash and cash equivalents at 31 December	22	**587,522**	573,576

The notes on pages 23 to 68 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which include all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and land and buildings, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Subsidiaries and controlled entities

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the income statement.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and controlled entities (continued)

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated in the balance sheet at fair value with changes in fair value recognised in the income statement as they arise.

(d) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates and jointly controlled entities for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e). When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates and jointly controlled entities (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, investments in associates and jointly controlled entities are stated at cost less any impairment losses (see note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the investor or venturer, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

— for acquisitions before 1 January 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses recognised in the consolidated income statement (see note 1(j)); and

— for acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(j)).

In respect of acquisitions of associates and jointly controlled entities, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(j)) is included in the carrying amount of the interest in associates or jointly controlled entities.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill (continued)

Negative goodwill arising on acquisitions of controlled subsidiaries, associates and jointly controlled entities represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

— for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

— for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

— for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

— for associates and jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in associates or jointly controlled entities.

On disposal of a controlled subsidiary, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries, associates and jointly entities are as follows:

(i) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the income statement, such provisions being determined for each investment individually.

(ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise. Securities are presented as short term investments when they were acquired principally for the purpose of generating a profit from short term fluctuations in price.

(iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

(g) Fixed assets

(i) Fixed assets are carried in the balance sheets on the following bases:

- investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;

- land and buildings held for own use are stated in the balance sheet at their revalued amount, being their open market value at the date of revaluation less any subsequent accumulated depreciation (see note 1(i)). Revaluations are performed by qualified valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date; and

- equipment and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Fixed assets (continued)

(ii) Changes arising on the revaluation of investment properties and land and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to the income statement if, and to the extent that, it exceeds the amount held in the reserve in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, immediately prior to the revaluation; and

— when a surplus arises on revaluation, it will be credited to the income statement if, and to the extent that, a deficit on revaluation in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, had previously been charged to the income statement.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year. For land and buildings, any related revaluation surplus is transferred from the revaluation reserve to the revenue reserve.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(p)(vii).

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(i) Amortisation and depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

(ii) Depreciation is calculated to write off the cost or valuation of other fixed assets over their estimated useful lives as follows:

— leasehold land and buildings are depreciated on a straight-line basis over the remaining term of the lease;

— other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	Over the shorter of remaining term of the lease and 5 - 6 years
Furniture, fixtures and equipment	3 - 7 years
Communications equipment	6 years
Motor vehicles	3 - 5 years

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets

The following assets are reviewed at each balance sheet date for any indications of impairment and/or to evaluate the appropriateness of any impairment loss provision previously made:

— property and equipment (other than properties carried at revalued amounts);

— investments in subsidiaries, associates and jointly controlled entities (except for those accounted for at fair value under notes 1(c) and 1(d)); and

— goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, an impairment loss is recognised in the income statement to the extent of the excess of the carrying amount of the asset over its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out formula or, where applicable, on a specific identification basis, and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(m) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and defined contribution provident fund schemes and retirement costs in respect of overseas employees according to local requirements are recognised as an expense in the income statement as incurred.

(iii) When the Group grants employees options to acquire shares of the Company, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the difference between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movement therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets are offset against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Wholesale and retail of fashion wear and accessories

Revenue is recognised when goods are delivered to customers, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is after deduction of any trade discounts and sales returns.

(ii) Telecommunications services

Telecommunications services include the provision of telecommunications services and marketing and distribution of network cards.

Provision of telecommunications services

Revenue from telecommunications services, comprising proprietary services and carrier operations, is recognised when the services are rendered on the basis of traffic statistics agreed with international telecommunications carriers to the extent of the amounts expected to be received.

Revenue received from certain international telecommunications carriers is subject to clawback arrangements, whereby the originating/transit international telecommunications carriers may clawback amounts previously paid if subsequently they do not receive the corresponding payments from the end customers/other intermediate carriers respectively. Actual and potential clawbacks are taken into consideration in calculating the amount of revenue to be recognised.

Marketing and distribution of network cards

Revenue from marketing and distribution of network cards is recognised at the time when the services are rendered and the Group's right to receive payment is established.

(iii) Recreational club operation

Entrance fees are recognised when the application for club membership is accepted and no significant uncertainty as to collectability exists. Annual subscription fees are recognised over the relevant period of the membership. Revenue from the provision of club facilities, catering and other services is recognised when goods are delivered or services are rendered.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

(iv) Consulting, management and other services

Revenue from the provision of consulting, management and other services is recognised when the relevant services have been provided and the Group's right to receive payment is established.

(v) Dividends

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(vi) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(vii) Sub-leasing rental income

Rental income receivable under operating sub-leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign enterprise, the cumulative amount of exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

2 TURNOVER

The principal activities of the Group are wholesale and retail of fashion wear and accessories, provision of telecommunications services (including marketing and distribution of network cards), operation of recreational clubs, and investment and treasury operations. The amount of each significant category of revenue recognised in turnover is as follows:

	2003	2002
	$'000	*$'000*
Wholesale and retail of fashion wear and accessories	**52,636**	—
Telecommunications services*	**50,606**	117,735
Recreational club operation	**20,647**	24,351
Dividend income from listed investments	**4,162**	40,696
Dividend income from unlisted investments	**3,409**	—
Interest income	**7,140**	10,577
	138,600	193,359

* Included in turnover from the provision of telecommunications services for the year ended 31 December 2003 is a sum of $25,572,000 received from a final transit carrier in respect of traffic revenue generated in prior years which was not recognised previously in view of the uncertainty of its collectibility.

3 OTHER REVENUE AND OTHER NET LOSS

	2003	2002
	$'000	*$'000*
Other revenue		
Consulting services fees	**1,015**	1,043
Sub-leasing rental income	**1,244**	—
Management fees	**876**	—
Gain on the waiver of repayment of other loans	**600**	—
Others	**761**	496
	4,496	1,539
Other net loss		
Net realised and unrealised loss on investments in securities	**(17,707)**	(90,057)
Net loss on disposal of fixed assets	**(258)**	(56)
	(17,965)	(90,113)

4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

	2003	2002
	$'000	*$'000*
(a) Finance costs:		
Interest on bank loans and overdrafts	**969**	1,253
(b) Staff costs (including directors' remuneration):		
Contributions to defined contribution plans	**1,342**	1,060
Salaries, wages and other benefits	**48,034**	43,346
	49,376	44,406
(c) Other items:		
Cost of inventories sold	**31,253**	3,982
Depreciation	**11,664**	13,077
Auditors' remuneration	**2,025**	1,256
Amortisation of goodwill	**267**	—
Exchange gain	**(671)**	(873)
(Write back of deficit)/deficit on revaluation of land and buildings	**(9,699)**	15,038
Operating lease charges on land and buildings		
— minimum lease payments	**9,419**	4,354
— contingent rentals	**3,046**	—
Write back of provision for impairment loss on and non-recoverable amounts due from associates	**(171)**	(306)
Impairment loss on fixed assets	**3,600**	—
Rentals receivable under operating leases in respect of subleased land and buildings including contingent rentals of $215,000 (2002: $Nil), net of outgoings	**572**	—
(d) Included in share of profits less losses of associates:		
— amortisation of goodwill	**1,815**	1,815
— impairment loss on goodwill	**14,519**	—

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2003	2002
	$'000	*$'000*
Current tax - Provision for Hong Kong Profits Tax		
Tax for the year	**3**	3
Underprovision in respect of prior years	**—**	1
	3	4
Current tax - Overseas		
Tax for the year	**115**	307
(Over)/underprovision in respect of prior years	**(7)**	1
	108	308
Deferred tax *(note 29(b))*	**—**	(7)
Share of associates' taxation	**—**	29
	111	334

In March 2003, the Hong Kong Government announced an increase in the Profits Tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%. This increase is taken into account in the preparation of the Group's 2003 financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2003 is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the year. Overseas taxation is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2003	2002
	$'000	*$'000*
Loss before tax	**(32,440)**	(119,101)
Notional tax on loss before tax, calculated at the applicable tax rates in the jurisdictions concerned	**(6,897)**	(19,885)
Tax effect of non-deductible expenses	**20,262**	51,095
Tax effect of non-taxable revenue	**(17,406)**	(43,843)
Tax effect of unused tax losses not recognised	**6,933**	13,050
Tax effect of prior years' tax losses utilised in current year	**(2,774)**	(85)
(Over)/under-provision in prior years	**(7)**	2
Actual tax expense	**111**	334

6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2003	2002
	$'000	*$'000*
Fees	**140**	140
Other emoluments paid to executive directors:		
— Salaries and other emoluments	**5,747**	7,166
— Retirement scheme contributions	**36**	46
	5,923	7,352

Included in the directors' remuneration were fees of $40,000 (2002: $40,000) paid to independent non-executive directors during the year.

The remuneration of the directors is within the following bands:

	2003	2002
	Number of directors	Number of directors
$Nil - $1,000,000	**5**	4
$1,000,001 - $1,500,000	**—**	1
$1,500,001 - $2,000,000	**1**	1
$3,500,001 - $4,000,000	**1**	1

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 2 (2002: 3) are directors whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other 3 (2002: 2) individuals are as follows:

	2003	2002
	$'000	*$'000*
Salaries and other emoluments	**3,274**	2,429
Retirement scheme contributions	**34**	24
	3,308	2,453

The emoluments of the 3 (2002: 2) individuals with the highest emoluments are within the following bands:

	2003	2002
	Number of individuals	Number of individuals
$500,001 - $1,000,000	**2**	—
$1,000,001 - $1,500,000	**1**	2

8 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of $35,238,000 (2002: $119,072,000) which has been dealt with in the financial statements of the Company.

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of $34,069,000 (2002: $119,435,000) and the 1,650,658,000 ordinary shares in issue during both years.

(b) Diluted loss per share

The diluted loss per share for the years ended 31 December 2003 and 2002 is the same as the basic loss per share as the exercise of outstanding share options in full would have an anti-dilutive effect on the loss per share.

10 CHANGE IN ACCOUNTING POLICY

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 January 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) issued by the Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax as set out in note 1(n). The adoption of this accounting policy has no material effect on the Group's results for the current and the prior years and the net assets as at the year end.

11 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Wholesale and retail of fashion wear and accessories:	trading of fashion wear and accessories
Telecommunications services:	the provision of telecommunications services and marketing and distribution of network cards
Recreational club operation:	the provision of recreational facilities and catering services
Investment and treasury:	the holding and trading of investments for short term and long term investment returns and treasury operations
e-commerce enabling technologies:	the provision of e-commerce enabling technologies

11 SEGMENT REPORTING (CONTINUED)

Business segments (continued)

	Wholesale and retail of fashion wear and accessories		Telecommunications services		Recreational club operation		Investment and treasury		e-commerce enabling technologies		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Turnover from external customers	52,636	–	50,606	117,735	20,647	24,351	14,711	51,273	–	–	138,600	193,359
Other revenue	2,245	–	1,062	1,043	446	439	743	57	–	–	4,496	1,539
Segment revenue	54,881	–	51,668	118,778	21,093	24,790	15,454	51,330	–	–	143,096	194,898
Segment result	3,745	–	4,922	(2,341)	(8,357)	(9,138)	(19,596)	(56,120)	–	(428)	(19,286)	(68,027)
Other group expenses											(2,412)	(2,991)
Write back of deficit/ (deficit) on revaluation of land and buildings											9,699	(15,038)
Loss from operations											(11,999)	(86,056)
Finance costs											(969)	(1,253)
Share of profits less losses of associates	–	–	–	–	(338)	–	(19,134)	(1,792)	–	–	(19,472)	(1,792)
Impairment loss on goodwill											–	(30,000)
Income tax											(111)	(334)
Minority interests											(1,518)	–
Loss attributable to shareholders											(34,069)	(119,435)
Depreciation and amortisation for the year	678	–	5,338	6,698	5,417	5,806	498	573	–	–	11,931	13,077
Impairment loss for the year	–	–	3,600	–	–	–	–	–	–	–	3,600	–
Significant non-cash expenses (other than depreciation and amortisation)	–	–	262	12	–	–	32,800	92,053	–	–	33,062	92,065
Segment assets	96,986	–	18,116	67,914	160,981	157,524	819,830	841,087	–	128	1,095,913	1,066,653
Investment in associates and jointly controlled entities	2,127	–	–	–	5,886	–	9,140	29,121	–	–	17,153	29,121
Unallocated assets											3,931	3,600
Total assets											1,116,997	1,099,374
Segment liabilities	45,253	–	64,856	76,369	20,799	22,899	2,478	3,348	–	–	133,386	102,616
Unallocated liabilities											72,300	52,244
Total liabilities											205,686	154,860
Capital expenditure incurred during the year:												
- in respect of investments	–	–	754	–	6,224	–	–	63,222	–	–	6,978	63,222
- in respect of fixed assets	3,653	–	446	166	108	518	22	–	–	–	4,229	684
	3,653	–	1,200	166	6,332	518	22	63,222	–	–	11,207	63,906

11 SEGMENT REPORTING (CONTINUED)

Geographical segments

The Group's business is conducted on a worldwide basis, but participates in six principal economic environments.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Revenue from external customers		Segment assets	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong	**82,443**	72,865	**941,723**	887,482
PRC (excluding Hong Kong)	**2,836**	4,042	**79,574**	85,825
Japan	**922**	29,128	**—**	—
Other Asia Pacific regions	**3,271**	6,759	**35,104**	41,110
Europe	**13,396**	50,813	**2,563**	431
North America	**35,689**	24,414	**58,033**	84,526
Others	**43**	5,338	**—**	—
	138,600	193,359	**1,116,997**	1,099,374

	Capital expenditure incurred in respect of Investments		Capital expenditure incurred in respect of fixed assets	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong	**—**	29,564	**3,783**	184
PRC (excluding Hong Kong)	**6,978**	—	**163**	360
Japan	**—**	—	**—**	—
Other Asia Pacific regions	**—**	29,767	**283**	121
Europe	**—**	—	**—**	19
North America	**—**	3,891	**—**	—
Others	**—**	—	**—**	—
	6,978	63,222	**4,229**	684

12 FIXED ASSETS

(a) The Group

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Communications equipment	Motor vehicles	Sub-total	Investment properties	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost or valuation:								
At 1 January 2003	150,000	2,236	16,356	38,948	2,513	210,053	3,600	213,653
Exchange adjustments	—	—	1,655	1,186	41	2,882	—	2,882
Additions:								
- through acquisition of subsidiaries	4,300	—	42,132	—	1,908	48,340	—	48,340
- others	—	—	4,093	173	—	4,266	—	4,266
Surplus on revaluation	9,754	—	—	—	—	9,754	—	9,754
Less: elimination of accumulated depreciation	(4,754)	—	—	—	—	(4,754)	—	(4,754)
Disposals	—	(565)	(14,443)	(3,172)	—	(18,180)	—	(18,180)
At 31 December 2003	**159,300**	**1,671**	**49,793**	**37,135**	**4,462**	**252,361**	**3,600**	**255,961**
Representing:								
Cost	—	1,671	49,793	37,135	4,462	93,061	—	93,061
Valuation - 31 December 2003	159,300	—	—	—	—	159,300	3,600	162,900
	159,300	**1,671**	**49,793**	**37,135**	**4,462**	**252,361**	**3,600**	**255,961**
Accumulated depreciation:								
At 1 January 2003	—	823	13,895	31,820	2,150	48,688	—	48,688
Exchange adjustments	—	—	1,198	1,054	49	2,301	—	2,301
Charge for the year	4,754	535	2,217	3,856	302	11,664	—	11,664
Acquisition of subsidiaries	—	—	36,285	—	1,775	38,060	—	38,060
Impairment loss	—	—	93	3,507	—	3,600	—	3,600
Written back on revaluation	(4,754)	—	—	—	—	(4,754)	—	(4,754)
Written back on disposal	—	(383)	(14,430)	(3,102)	—	(17,915)	—	(17,915)
At 31 December 2003	**—**	**975**	**39,258**	**37,135**	**4,276**	**81,644**	**—**	**81,644**
Net book value:								
At 31 December 2003	**159,300**	**696**	**10,535**	**—**	**186**	**170,717**	**3,600**	**174,317**
At 31 December 2002	150,000	1,413	2,461	7,128	363	161,365	3,600	164,965

12 FIXED ASSETS (CONTINUED)

(a) The Group (continued)

Impairment loss

In 2003, the Group restructured its telecommunications business which resulted in the communications equipment and certain furniture and equipment being taken out of service. Accordingly, the carrying amount of these assets was written down by $3,600,000 (included in other operating expenses), based on the respective assets' estimated net selling price of $Nil.

(b) The Company

	Land and buildings	Furniture, fixtures and equipment	Sub-total	Investment properties	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Cost or valuation:					
At 1 January 2003	100,000	3	100,003	3,600	103,603
Surplus on revaluation	7,198	—	7,198	—	7,198
Less: elimination of accumulated depreciation	(2,198)	—	(2,198)	—	(2,198)
At 31 December 2003	**105,000**	**3**	**105,003**	**3,600**	**108,603**
Representing:					
Cost	—	3	3	—	3
Valuation - 31 December 2003	105,000	—	105,000	3,600	108,600
	105,000	**3**	**105,003**	**3,600**	**108,603**
Accumulated depreciation:					
At 1 January 2003	—	2	2	—	2
Charge for the year	2,198	—	2,198	—	2,198
Written back on revaluation	(2,198)	—	(2,198)	—	(2,198)
At 31 December 2003	**—**	**2**	**2**	**—**	**2**
Net book value:					
At 31 December 2003	**105,000**	**1**	**105,001**	**3,600**	**108,601**
At 31 December 2002	100,000	1	100,001	3,600	103,601

12 FIXED ASSETS (CONTINUED)

(c) The analysis of net book value of properties is as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
In Hong Kong				
under medium-term lease	**112,900**	103,600	**108,600**	103,600
In the People's Republic of China under medium-term lease	**50,000**	50,000	**—**	—
	162,900	153,600	**108,600**	103,600

(d) Investment properties of the Group and the Company were revalued at 31 December 2003 by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, on an open market value basis. No revaluation surplus or deficit on investment properties has been taken to the income statement during the current and prior years.

(e) The Group's and the Company's land and buildings held for own use were revalued at 31 December 2003 by independent firms of surveyors, DTZ Debenham Tie Leung Limited and Vigers Appraisal and Consulting Limited on an open market value basis. Among the Group's revaluation surpluses of $9,754,000 (2002: $Nil), $9,699,000 (2002: net revaluation deficit of $15,038,000) has been credited (2002: debited) to the consolidated income statement and included in other operating expenses. $33,000 (2002: $Nil) representing the remaining revaluation surplus of $55,000, net of minority interests' share of $22,000, has been transferred to the revaluation reserve. The revaluation surplus of $7,198,000 (2002: deficit of $17,419,000) for the Company has been credited (2002: debited) to the income statement.

The carrying amount of the land and buildings held for own use by the Group and the Company at 31 December 2003 would have been $133,042,000 (2002: $136,324,000) and $33,713,000 (2002: $34,488,000) respectively had they been carried at cost less accumulated depreciation.

13 GOODWILL

	The Group $'000
Cost:	
At 1 January 2003	—
Addition through acquisition of subsidiaries *(note 32)*	7,051
Addition through acquisition of a business	1,883
At 31 December 2003	**8,934**
Accumulated amortisation:	
At 1 January 2003	—
Amortisation for the year	267
At 31 December 2003	**267**
Carrying amount:	
At 31 December 2003	**8,667**
At 31 December 2002	—

The amortisation charge for the year is included in other operating expenses in the consolidated income statement.

14 INTEREST IN SUBSIDIARIES

	The Company	
	2003 **$'000**	2002 $'000
Unlisted shares, at cost	**12,700**	12,700
Amounts due from subsidiaries	**1,139,989**	1,070,758
	1,152,689	1,083,458
Less: impairment loss	**(978,146)**	(914,352)
	174,543	169,106

Details of principal subsidiaries are shown on pages 66 to 67.

15 INTEREST IN ASSOCIATES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Unlisted shares, at cost	**—**	—	**1**	1
Share of net assets	**18,686**	13,473	**—**	—
Goodwill	**14,519**	16,334	**—**	—
Loan to an associate	**2,730**	—	**—**	—
Amounts due from associates	**8,609**	9,627	**555**	1,402
	44,544	39,434	**556**	1,403
Less: Impairment loss	**(27,391)**	(10,313)	**—**	—
	17,153	29,121	**556**	1,403

As at 31 December 2003, the Group held a 29.4% effective interest in Givenchy China Co. Limited ("Givenchy China"), a company incorporated in Hong Kong which is principally engaged in the trading of fashion wear and accessories.

The Group's interest in Givenchy China was acquired through the Group's acquisition of subsidiaries on 12 October 2003 and is held for subsequent disposal in the near future for a consideration of approximately $2,127,000, as determined in accordance with the shareholders agreement entered into between a subsidiary and the majority shareholder of Givenchy China. Accordingly, this has not been equity accounted for and is stated at fair value at 31 December 2003.

The loan to an associate is unsecured, bears interest at a rate of 2.5% per annum and has no fixed terms of repayment.

Details of principal associates are shown on page 68.

16 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2003	2002
	$'000	*$'000*
Share of net liabilities	**(17,913)**	(17,913)
Amounts due from jointly controlled entities	**36,141**	36,141
	18,228	18,228
Less: impairment loss	**(18,228)**	(18,228)
	—	—

Details of principal jointly controlled entities are shown on page 68.

17 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2003	2002
	$'000	*$'000*
Investment securities		
Equity securities listed outside Hong Kong	**2,236**	2,236
Unlisted equity securities	**21,660**	54,460
	23,896	56,696
Other securities		
Equity securities listed outside Hong Kong	**33,420**	25,066
Unlisted equity securities	**34,581**	26,801
	68,001	51,867
	91,897	108,563
Market value of listed securities	**38,312**	34,295

18 SHORT TERM INVESTMENTS

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Trading securities (at market value)				
Equity securities listed in Hong Kong	**108,821**	102,082	**106,328**	100,044

Included in trading securities are ordinary shares of $2 each of China Motor Bus Company, Limited, which is incorporated in Hong Kong, as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Market value of ordinary shares of China Motor Bus Company, Limited	**100,874**	97,553	**100,272**	96,970
Proportion of ownership interest	**4.5%**	4.5%	**4.5%**	4.5%

19 INVENTORIES

	The Group	
	2003	2002
	$'000	*$'000*
Merchandise held for resale		
– Wholesale and retail of fashion wear and accessories	**29,108**	—
– Telecommunications services	**908**	—
Food and beverages		
– Recreational club operation	**325**	368
	30,341	368

Included in inventories are merchandise held for resale amounting to $29,108,000 (2002: $Nil), stated net of a general provision, made in order to state these inventories at the lower of their cost and estimated net realisable value.

20 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors	**13,474**	13,647	**—**	—
Deposits, prepayments and other receivables	**34,709**	59,516	**1,733**	31,527
	48,183	73,163	**1,733**	31,527

Included in deposits, prepayments and other receivables is a short term loan to a third party in the amount of $13,180,000 (2002: $14,448,000). At 31 December 2002, there were deposits of $37,344,000 paid in respect of acquisition of equity interests in two companies. During 2003, $7,780,000 was reclassified to other non-current financial assets upon completion of the acquisition, whereas the remaining $29,564,000 was refunded to the Group.

Included in deposits, prepayments and other receivables are amounts totalling $2,602,000 (2002: $75,000) which are expected to be recovered after more than one year.

Included in trade debtors are receivables (net of provisions for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2003	2002
	$'000	*$'000*
0 - 1 month	**6,171**	3,065
2 - 3 months	**2,002**	4,394
Over 3 months	**5,301**	6,188
	13,474	13,647

The Group maintains a defined credit policy for its trade customers and the credit terms given vary according to the business activities. The financial strengths of and the period of business with individual customers are considered in arriving at the respective credit terms. Reviews of major receivables are conducted regularly.

21 PLEDGED DEPOSITS

Pledges of the Company's fixed deposits of US$6,110,000 (2002: US$6,110,000) were given to banks to secure short term loans and other general banking facilities to the extent of US$6,110,000 (2002: US$6,110,000).

22 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks and other financial institutions	**552,642**	538,137	**552,642**	538,137
Cash at bank and in hand	**34,880**	35,439	**3,230**	9,797
	587,522	573,576	**555,872**	547,934

23 TRADE AND OTHER PAYABLES

All trade and other payables are due within one month or on demand.

24 BANK LOANS, SECURED

	The Group	
	2003	2002
	$'000	*$'000*
Bank loans	**46,680**	46,680

The bank loans of US$6,000,000 were secured by pledge of fixed deposits and were repayable on demand.

Subsequent to 31 December 2003, the Group repaid the bank loans in full, details of which are set out in note 36.

25 DEBENTURES

Each debenture holder is entitled to be a debenture member of the Hilltop Country Club (the "Club") subject to the Club Rules and By-laws for so long as the debentures shall remain outstanding, and has the right to use and enjoy all the facilities of the Club free from monthly subscription. At 31 December 2003, the Group's debentures were redeemable as follows:

	2003	2002
	$'000	*$'000*
Within one year	**900**	4,540
In the second year	**954**	480
In the third to fifth year	**8,190**	6,744
	9,144	7,224
	10,044	11,764

All redeemable debentures are non-interest bearing and may be renewed upon maturity subject to the Group's prior consent.

26 OTHER LOANS, UNSECURED

The loans are due to a minority shareholder of a subsidiary, and are unsecured, interest free and repayable on demand.

(Expressed in Hong Kong dollars)

27 EMPLOYEE RETIREMENT BENEFITS

(a) Defined contribution provident fund schemes ("PF Schemes")

The PF Schemes are administered by independent trustees. Under the PF Schemes, both the Group and staff make monthly contributions to the PF Schemes each with an amount of 5% of the employees' basic salaries. Any forfeited contributions and related accrued interest are used to reduce the employer's contributions. For the year ended 31 December 2003, the Group's net provident fund contributions charged to the income statement amounted to $302,000 (2002: $201,000), after utilising the aggregate amount of employer's contributions forfeited during the current year of $42,000 (2002: $Nil).

(b) Mandatory provident fund schemes ("MPF Schemes")

The MPF Schemes were established in December 2000 under the Hong Kong Mandatory Provident Fund Schemes Ordinance. All new Hong Kong staff join the MPF Schemes. Under the MPF Schemes, the Group and staff are required to contribute each at 5% of the employees' relevant income (capped at $20,000). For the year ended 31 December 2003, the Group's mandatory provident fund contributions charged to the income statement amounted to $972,000 (2002: $728,000).

28 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 Listing Rules. A summary of the principal terms of the New Scheme was sent to the shareholders of the Company in a circular dated 28 May 2002. All new options shall be granted under the terms and conditions of the New Scheme. No options have yet been granted under the New Scheme.

All outstanding options granted under the Old Scheme shall remain valid and exercisable under the provisions of the Old Scheme.

(a) Movements in share options

	2003 Number	2002 Number
At 1 January	**3,638,000**	9,256,000
Lapsed	**(2,318,000)**	(5,618,000)
At 31 December	**1,320,000**	3,638,000
Options vested at 31 December	**1,320,000**	3,638,000

28 SHARE OPTION SCHEME (CONTINUED)

(b) Terms of unexpired and unexercised share options at balance sheet date

Date granted	Exercise price	2003 Number	2002 Number
11 October 1999	$1.528	**636,000**	636,000
22 October 1999	$1.530	**300,000**	300,000
1 December 1999	$1.804	**96,000**	144,000
27 March 2000	$1.900	**—**	1,950,000
1 August 2000	$0.630	**288,000**	408,000
18 September 2000	$0.670	**—**	200,000
		1,320,000	3,638,000

These share options are exercisable before 29 December 2007.

The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 1,320,000 additional ordinary shares of $0.01 at a total consideration of approximately $1,785,000.

29 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	2003 *$'000*	2002 *$'000*
(i) Taxation recoverable	**331**	—
(ii) Tax payable		
Provision for Hong Kong Profits Tax for the year	**3**	3
Provision for overseas taxation for the year	**115**	307
Hong Kong Profits Tax paid	**(3)**	(1)
Overseas tax paid	**(74)**	(275)
Balance of tax provision relating to prior years	**5,455**	5,440
	5,496	5,474

29 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

(b) Deferred tax assets and liabilities recognised

(i) The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation	Tax losses	Total
	$'000	*$'000*	*$'000*
Deferred tax arising from:			
At 1 January 2002			
- as previously reported	175	(80)	95
- prior period adjustments *(note 10)*	2,361	(2,361)	—
- as restated	2,536	(2,441)	95
Exchange difference	1	—	1
(Credited)/charged to income statement	(345)	338	(7)
At 31 December 2002 (restated)	2,192	(2,103)	89
At 1 January 2003			
- as previously reported	89	—	89
- prior period adjustments *(note 10)*	2,103	(2,103)	—
- as restated	2,192	(2,103)	89
Exchange difference	28	—	28
(Credited)/charged to income statement	(455)	455	—
At 31 December 2003	**1,765**	**(1,648)**	**117**

29 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

(b) Deferred tax assets and liabilities recognised (continued)

(ii) The Company

The components of deferred tax (assets)/liabilities recognised in the balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation	Tax losses	Total
	$'000	*$'000*	*$'000*
Deferred tax arising from:			
At 1 January 2002			
- as previously reported	—	—	—
- prior period adjustments *(note 10)*	1,053	(1,053)	—
- as restated	1,053	(1,053)	—
Charged/(credited) to income statement	102	(102)	—
At 31 December 2002 (restated)	1,155	(1,155)	—
At 1 January 2003			
- as previously reported	—	—	—
- prior period adjustments *(note 10)*	1,155	(1,155)	—
- as restated	1,155	(1,155)	—
Charged/(credited) to income statement	217	(217)	—
At 31 December 2003	**1,372**	**(1,372)**	**—**

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Net deferred tax liability recognised on the balance sheet	**117**	89	**—**	—

29 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

(c) Deferred tax assets unrecognised

Deferred tax assets have not been recognised in respect of the following items:

	The Group		**The Company**	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
		(restated)		*(restated)*
Deductible temporary differences	**(1,438)**	(352)	**—**	—
Tax losses	**(58,048)**	(44,963)	**(19,805)**	(21,956)
	(59,486)	(45,315)	**(19,805)**	(21,956)

The deductible temporary differences and tax losses do not expire under current tax legislation.

30 SHARE CAPITAL

	2003		2002	
	No. of shares		No. of shares	
	'000	***$'000***	*'000*	*$'000*
Authorised:				
Ordinary shares of $0.01 each	**100,000,000**	**1,000,000**	100,000,000	1,000,000
Issued and fully paid:				
At 1 January	**1,650,658**	**16,507**	1,650,658	825,329
Reduction of share capital *(note 30(a) & note 31)*	**—**	**—**	—	(808,822)
At 31 December	**1,650,658**	**16,507**	1,650,658	16,507

30 SHARE CAPITAL (CONTINUED)

In 2002, a capital reorganisation scheme was approved by the shareholders at an extraordinary general meeting on 11 July 2002 and was subsequently confirmed by the sanction of an order of the High Court of Hong Kong dated 6 August 2002. The details of the capital reorganisation scheme are as follows:

(a) the authorised share capital of the Company was reduced from $1,000,000,000, divided into 2,000,000,000 ordinary shares of $0.50 each, to $20,000,000 divided into 2,000,000,000 ordinary shares of $0.01 each. Such reduction was effected by cancelling paid up capital per share by $0.49 on each of the 1,650,658,676 ordinary shares in issue on 6 August 2002, being the date on which the court petition was heard, and by reducing the nominal value of all the issued and unissued ordinary shares of the Company from $0.50 to $0.01 per ordinary share; and

(b) upon such reduction of capital taking effect:

    (i) the authorised share capital of the Company was increased to its former amount of $1,000,000,000 by the creation of an additional 98,000,000,000 ordinary shares of $0.01 each; and

    (ii) a special capital reserve was created and credited with an amount equal to the credit arising from the said reduction of capital as detailed in (a) above, which amounted to $808,822,751. Such reserve shall not be treated as realised profit and shall, for as long as the Company shall remain a listed company, be treated as an undistributable reserve. However, the special capital reserve may be reduced by the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves.

31 RESERVES

(a) The Group

	Share premium $'000	Capital redemption reserve $'000	Special reserve $'000	Exchange reserve $'000	Goodwill reserve $'000	Revaluation reserve $'000	Accumulated losses $'000	Total $'000
At 1 January 2002	1,189,721	478	—	790	(30,000)	—	(952,754)	208,235
Exchange differences	—	—	—	385	—	—	—	385
Reduction of share capital *(note 30)*	—	—	808,822	—	—	—	—	808,822
Impairment loss on goodwill	—	—	—	—	30,000	—	—	30,000
Loss for the year	—	—	—	—	—	—	(119,435)	(119,435)
At 31 December 2002	1,189,721	478	808,822	1,175	—	—	(1,072,189)	928,007
At 1 January 2003	1,189,721	478	808,822	1,175	—	—	(1,072,189)	928,007
Exchange differences	—	—	—	833	—	—	—	833
Revaluation surpluses	—	—	—	—	—	33	—	33
Loss for the year	—	—	—	—	—	—	(34,069)	(34,069)
At 31 December 2003	**1,189,721**	**478**	**808,822**	**2,008**	**—**	**33**	**(1,106,258)**	**894,804**

The accumulated losses of the Group include profit of $227,000 (2002: $328,000) retained by associates.

(b) The Company

	Share premium $'000	Special reserve $'000	Capital redemption reserve $'000	Accumulated losses $'000	Total $'000
At 1 January 2002	1,189,721	—	478	(952,164)	238,035
Reduction of share capital *(note 30)*	—	808,822	—	—	808,822
Loss for the year	—	—	—	(119,072)	(119,072)
At 31 December 2002	1,189,721	808,822	478	(1,071,236)	927,785
At 1 January 2003	1,189,721	808,822	478	(1,071,236)	927,785
Loss for the year	—	—	—	(35,238)	(35,238)
At 31 December 2003	**1,189,721**	**808,822**	**478**	**(1,106,474)**	**892,547**

32 ACQUISITION OF SUBSIDIARIES

On 12 October 2003, the Group acquired 60% interest in Kenmure Limited and its subsidiaries for $33,000,000, satisfied in cash.

	2003
	$'000
Net assets acquired	
Fixed assets	**10,280**
Interest in associates	**2,127**
Inventories	**41,000**
Trade and other receivables	**18,874**
Amounts due from associates	**1,113**
Tax recoverable	**331**
Cash and cash equivalents	**42,253**
Trade and other payables	**(67,516)**
Bank loans	**(2,948)**
Amount due to an associate	**(2,265)**
Minority interests	**(17,300)**
Net identifiable assets and liabilities	**25,949**
Goodwill arising on consolidation *(note 13)*	**7,051**
Total purchase price paid, satisfied in cash	**33,000**
An analysis of the net cash inflow in respect of the purchase of subsidiaries is as follows:	
Cash consideration	**(33,000)**
Cash and cash equivalents of the subsidiaries acquired	**42,253**
Net cash inflow in respect of the purchase of subsidiaries	**9,253**

33 COMMITMENTS

(a) Operating leases

(i) Operating lease commitments

At 31 December 2003, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Within 1 year	**23,672**	1,312	**1,986**	880
After 1 year but within 5 years	**25,946**	87	**609**	—
	49,618	1,399	**2,595**	880

The Group leases a number of properties under operating leases. The leases run for an initial period of one to five years, certain of which have renewal options at expiration when all terms are renegotiated. Certain leases contain a contingent rental element based on various percentages of tenant's sales receipts.

(ii) Future operating lease income

The Group's total future minimum sublease payments receivable under non-cancellable operating leases as at 31 December 2003 amounted to $5,339,000 (2002: $Nil).

(b) Acquisition of equity interests

During 2002, a wholly-owned subsidiary of the Company entered into an agreement with certain third parties, upon the terms and conditions set out therein, to form a club and leisure business management company in Shanghai ("the Shanghai Company"). During 2003, the subsidiary subscribed for 20% of the shares of the Shanghai Company for a consideration of US$1,600,000. As at 31 December 2003, the subsidiary had a commitment to pay the remaining balance of US$800,000 by 7 April 2005.

(c) Other commitments

As at 31 December 2003, the Company, acting on behalf of Hill Top Country Club Limited, was a party to a co-operative joint venture agreement with a PRC joint venture partner in respect of Shanghai Hilltop Country Club Ltd. ("SHCCL"). According to the terms of the co-operative joint venture agreement and supplementary agreement signed on 2 September 2002, the Company committed to pay the PRC joint venture partner any shortfall in the profit distributed by SHCCL to the PRC joint venture partner below the amounts of RMB1,650,000 and US$268,000 per annum from 2001 to 2008 and from 2009 to 2022 respectively. During the year, the operation of SHCCL was sub-contracted to the Shanghai Company in which the Group has a 20% interest. According to the sub-contracting agreement signed on 16 June 2003, the Shanghai Company has undertaken to pay any such amounts due to the PRC joint venture partner during the sub-contracting period from 1 July 2003 to 30 June 2016. As at 31 December 2003, the maximum amount payable by the Company to the PRC joint venture partner up to 27 December 2022 in excess of the amount provided for in these financial statements amounted to $36,966,000, of which $23,413,000 is expected to be absorbed by the Shanghai Company.

34 CONTINGENT LIABILITIES

At 31 December 2003, there were contingent liabilities in respect of the following:

(a) One of the telecommunications content providers of a subsidiary issued a letter through its solicitors in March 2002 claiming damages of US$1,500,000 from that subsidiary in relation to rate changes applied by that subsidiary for services delivered by the content provider. The claimant also disputes traffic volumes generated in the past and claims to have been underpaid by at least US$2,736,125.

Management has studied the allegations raised and sought legal advice on the subsidiary's legal rights and liabilities. Upon advice, the subsidiary has sought to refute most of the allegations and has made a counterclaim of US$6,214,708 for the return of sums advanced on account to the content provider due to uncollectibles, discrepancies arising on reconciliation of traffic volumes and other related items.

Management considers that it is unlikely that any loss will arise and accordingly, no provision has been made in the financial statements.

(b) During the year ended 31 December 2003, the Company executed corporate guarantees as part of the security for general banking facilities granted to certain subsidiaries to the extent of US$6,110,000 (2002: US$6,110,000) and for rental payable by a subsidiary to the extent of $101,000 (2002: $264,000).

35 MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year, the Company received interest income amounting to $42,000 (2002: $138,000) from an associate.

(b) On 28 May 2003, the Company renewed its tenancy agreement with a company controlled by a substantial shareholder of the Company. Rental expense payable under the expired and renewed agreements during the year ended 31 December 2003 amounted to $2,166,000 (2002: $2,843,000). The terms of the tenancy agreement are on an arm's length basis.

(c) During the year, the Group paid consultancy fees amounting to $312,000 (2002: $Nil) to a company in which the spouse of a director of one of the Group's subsidiaries has controlling interest.

(d) The Group entered into agreements with an associate for sub-lease of a shop unit and the provision of shop management services and received sub-leasing rental and management income amounting to $664,000 (2002: $Nil) and $420,000 (2002: $Nil) respectively.

36 POST BALANCE SHEET EVENT

Subsequent to 31 December 2003, one of the Group's subsidiaries repaid the bank loans of $46,680,000 (US$6,000,000) in full. Accordingly, pledges of the Company's fixed deposits given to secure such bank loans have been reduced by an equivalent amount.

37 COMPARATIVE FIGURES

During the current year, the directors have re-evaluated the investment objectives of an investment security, whose primary operations consisted of telecommunications operations and was classified under the telecommunications services segment in 2002. As the Group's investment objectives are of an investment holding nature, the directors consider it more appropriate to disclose the investment under the investment and treasury segment.

As a result, the investment security in the amount of $54,460,000 for the prior year has been reclassified from the telecommunications services segment to the investment and treasury segment in order to conform with the current year's presentation.

(a) The following is a list of the principal subsidiaries at 31 December 2003:

Name of company	Place of incorporation/ operation *	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
Asia Pacific Telecommunications Limited	Hong Kong	Ordinary HK$2,000	100%	—	100%	Provision of telecommunications services
Christabel Trading Company Limited	Hong Kong	Ordinary HK$4,500,000	60%	—	60%	Retail and wholesale of fashion wear and accessories
e-New Media Technology Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100%	100%	—	Investment holding
e-Media (Asia) Limited	Cayman Islands/ Hong Kong	Ordinary US$1	100%	100%	—	Investment holding
e-Media Telecom Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	100%	Investment holding
ENM Investments Limited	Cayman Islands/ Hong Kong	Ordinary US$1	100%	100%	—	Investment holding
Hill Top Country Club Limited	Hong Kong	Ordinary HK$10,000,000	100%	100%	—	Club management
Jackpot International Business Inc.	British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	100%	Investment holding
Kenmure Limited	Hong Kong	Ordinary HK$55,000,000	60%	—	60%	Investment holding
Lion Dragon Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	100%	Investment holding
New Media Corporation	Cayman Islands/ Hong Kong	Ordinary US$2,227,280	100%	—	100%	Investment holding
New Media Telecom Asia Limited	Taiwan	Ordinary NT$2,000,000	100%	—	100%	Provision of telecommunications services

* where different from the place of incorporation

(a) The following is a list of the principal subsidiaries at 31 December 2003: (Continued)

Name of company	Place of incorporation/ operation *	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
Powerbridge Limited	British Virgin Islands/ Hong Kong	Ordinary US$600,000	75%	—	75%	Investment holding
Richtime Management Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	100%	Investment holding
Shanghai ENM Telecom & Technology Limited#	The People's Republic of China (Wholly foreign-owned enterprise)	US$500,000	75%	—	75%	Marketing and distribution of network cards
Shanghai Hilltop Country Club Ltd.	The People's Republic of China (Sino-foreign Co-operative joint venture)	US$7,200,000	80%	—	80%	Club management
The Swank Shop Limited	Hong Kong	Ordinary HK$104,500,000	60%	—	60%	Retail and wholesale of fashion wear and accessories
Ventures Triumph Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	100%	Investment holding
Voice Information Systems Limited	Hong Kong	Ordinary "A" HK$3,000,000 Ordinary "B" HK$2,000,000	100%	—	100%	Provision of telecommunications services
Wintalent International Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	100%	Investment holding

* where different from the place of incorporation

\# as translated from Chinese name

(b) The following is a list of the principal associates at 31 December 2003:

Name of Company	Place of incorporation	Attributable equity interest held by the Group	Principal activities
Beijing Smartdot Technologies Co. Ltd.	The People's Republic of China	20%	Software developer and solution project provider
Givenchy China Co. Limited	Hong Kong	29%	Trading of fashion wear and accessories
S & S Technologies Company Limited	Cayman Islands	25%	Provider of IP based broadband services and wireless value added services
Shanghai Landis Hospitality Management Co. Ltd.#	The People's Republic of China	20%	Club management
Ventile Investments Limited	British Virgin Islands	35%	Provision of finance
V.S. Limited	Hong Kong	21%	Retail of fashion wear and accessories

(c) The following is a list of the principal jointly controlled entities at 31 December 2003:

Name of Company	Place of incorporation	Attributable equity interest held by the Group	Principal activities
e-Brilliant Company Limited	Cayman Islands	50%	Investment holding
e-Brilliant Pte Limited	Singapore	50%	In liquidation

as translated from Chinese name

FIVE YEAR SUMMARY

(Expressed in Hong Kong dollars)

RESULTS

	9 months ended 31 December 1999 $'000	Year ended 31 December 2000 $'000	Year ended 31 December 2001 $'000	Year ended 31 December 2002 $'000	**Year ended 31 December 2003 $'000**
Turnover	223,176	878,169	419,450	193,359	**138,600**
Loss from operations	(248)	(190,604)	(187,810)	(86,056)	**(11,999)**
Finance costs	(6,473)	(11,408)	(5,486)	(1,253)	**(969)**
Share of results of associates	6	(452)	405	(1,792)	**(19,472)**
Share of results of jointly controlled entities	—	(11,541)	(6,427)	—	**—**
Impairment loss on goodwill *(note 1)*	—	(473,061)	—	(30,000)	**—**
Loss from ordinary activities before taxation	(6,715)	(687,066)	(199,318)	(119,101)	**(32,440)**
Income tax	(1,442)	236	1,622	(334)	**(111)**
Minority interests	2,721	9,209	—	—	**(1,518)**
Loss attributable to shareholders	(5,436)	(677,621)	(197,696)	(119,435)	**(34,069)**

(Expressed in Hong Kong dollars)

ASSETS AND LIABILITIES

	31 December 1999 $'000	31 December 2000 $'000	31 December 2001 $'000	31 December 2002 $'000	**31 December 2003 $'000**
Non-current assets	724,423	469,519	304,483	302,649	**292,034**
Net current assets	208,973	779,562	735,726	649,178	**648,544**
Total assets less current liabilities	933,396	1,249,081	1,040,209	951,827	**940,578**
Non-current liabilities	(187,482)	(17,582)	(6,645)	(7,313)	**(9,261)**
Minority interests	(37,772)	—	—	—	**(20,006)**
	708,142	1,231,499	1,033,564	944,514	**911,311**
Share capital	624,480	825,329	825,329	16,507	**16,507**
Reserves	83,662	406,170	208,235	928,007	**894,804**
	708,142	1,231,499	1,033,564	944,514	**911,311**

Notes:

(1) Following the requirements of Statement of Standard Accounting Practice 31 "Impairment of assets" the directors have performed an assessment of the fair value of its assets, including goodwill that had previously been eliminated against reserves, and has retrospectively restated the 2000 result for the impairment of goodwill arising from the acquisition of subsidiaries according to the transitional provisions of Statement of Standard Accounting Practice 30 "Business combinations".

(2) Pursuant to the revised (December 2001) Hong Kong Statement of Standard Accounting Practice 11 "Foreign currency translation", the Group changed its accounting policy for translation of the results of foreign enterprises in 2002. Figures for the years from 1999 to 2001 have not been adjusted for comparison purposes as the effect of this change in accounting policy is not material.

(3) Pursuant to Hong Kong Statement of Standard Accounting Practice 12 (revised) "Income taxes", the Group adopted a new accounting policy for deferred tax in 2003, as explained in note 10 on the financial statements. Figures for the nine months ended 31 December 1999 and the years from 2000 to 2002 have not been adjusted for comparison purposes as the effect of this change in accounting policy is not material.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the Hilltop Country Club, 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong at 10:00 a.m. on Thursday, 3 June 2004 for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2003.

2. To re-elect the retiring Directors and authorise the Board of Directors to fix the Directors' remuneration.

3. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.

4. As special business, to consider and, if thought fit, to pass with or without amendments, the following resolution as an Ordinary Resolution:

   "**THAT**:

   (a) subject to paragraph (c) of this Resolution, pursuant to section 57B of the Companies Ordinance the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue or (ii) the exercise of options granted under the share option scheme of the Company, shall not in aggregate exceed 20 percent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and.

   (d) for the purpose of this Resolution:

   "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

   (i) the conclusion of the next Annual General Meeting of the Company;

   (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Ordinance to be held; and

   (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the law of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

5. As special business, to consider and, if thought fit, to pass with or without amendments, the following resolution as a Special Resolution:

"**THAT** the existing Articles of Association of the Company be altered in the following manner:

(a) Article 2

(i) by deleting the definition of "associate" in its entirety and substituting therefor the following new definition and its marginal note:

Associate.	"associate" shall have the meaning ascribed to it under the Listing Rules;

(ii) by deleting the definition of "clearing house" in its entirety and substituting therefor the following new definition and its marginal note:

Clearing house.	"clearing house" shall mean a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;

(iii) by adding the following definitions and their marginal notes immediately after the definition of "dollars":

Electronic communication.	"electronic communication" shall mean a communication sent by electronic transmission in any form through any medium;
Entitled person.	"entitled person" shall mean an "entitled person" as defined under the Companies Ordinance;

(iv) by adding the following definition and its marginal note immediately after the definition of "Hongkong Government":

Listing Rules.	"the Listing Rules" shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time;

(v) by deleting the definition of "newspaper" in its entirety and substituting therefor the following new definition and its marginal note:

newspaper.	"newspaper" shall mean a newspaper published daily and circulating generally in Hong Kong and specified in the list of newspapers issued and published in the Gazette for the purpose of Section 71A of the Companies Ordinance by the Chief Secretary For Administration;

(vi) by adding the following definition and its marginal note immediately after the definition of "the register":

relevant financial documents.	"relevant financial documents" shall mean the "relevant financial documents" as defined under the Companies Ordinance;

(vii) by adding the following definition and its marginal note immediately after the definition of "shareholders" or "members":

summary financial report.	"summary financial report" shall mean the "summary financial report" as defined under the Companies Ordinance;

(viii) by deleting the definition of "writing" or "printing" in its entirety and substituting therefor the following new definition and its marginal note:

writing. printing.	"writing" and "printing" shall mean written or printed or printed by lithography or printed by photography or typewritten or produced by any other modes of representing words or figures in a visible form or, to the extent permitted by, and in accordance with any other applicable laws, rules and regulations, any visible substitute for writing (including an electronic communication), or partly in one visible form and partly in another visible form;

(ix) by adding the following paragraph and its marginal note immediately after the definition of "Ordinance to bear same meaning in Articles":

document being executed. document.	References to a document being executed include references to its being executed under hand or under seal or, to the extent permitted by, and in accordance with the Companies Ordinance and other applicable laws, rules and regulations, by electronic signature or by any other method. References to a document, to the extent permitted by, and in accordance with any other applicable laws, rules and regulations, include references to any information in visible form whether having physical substance or not.

(b) Article 3(a)

by adding the sentence "Pursuant to a special resolution passed on 11th July, 2002, the par value of each ordinary share of the Company was reduced to HK$0.01." at the end of Article 3(a);

(c) Article 15

by adding the words "within a prescribed period as required under the Companies Ordinance and/or the Listing Rules" after the word "receive" in the second line of Article 15 and deleting the words "or lodgment of a transfer (or within such other period as the conditions of issue shall provide)" in the second and third lines of Article 15;

(d) Article 42

by adding the words "with a prescribed period as required under the Companies Ordinance and/or the Listing Rules" after the word "issued" in the third line of Article 42 and deleting the words "without charge" in the third and last lines of Article 42;

(e) Article 73

(i) by adding the words "unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules and regulations or" before the word "unless" in the second line of the first paragraph of Article 73;

(ii) by inserting the words "a poll is so taken as required under the Listing Rules or any other applicable laws, rules and regulations or unless" after the word "Unless" at the beginning of the second paragraph of Article 73;

(f) Article 82

by adding the following new paragraph and its marginal note as Article 82(c):

Voting in contravention to Listing Rules.

(c) Where the Company has actual knowledge that any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Article 93

by adding the following new paragraph immediately after paragraph (d) of Article 93:

(e) An alternate Director shall be deemed to be the agent of the Director who appoints him. A Director who appoints an alternate Director shall be vicariously liable for any tort committed by the alternate Director while acting in the capacity of alternate Director.

(h) Article 100

(i) by deleting Article 100(h) in its entirety and substituting therefor the following:

(h) Save as otherwise provided by the Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate(s) is/are, to the knowledge of such Director, materially interested, but this prohibition shall not apply to any of the following matters namely:

(i) any contract or arrangement or proposal for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associate(s) or obligations incurred or undertaken by him or any of his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) any contract or arrangement or proposal for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or to be interested in for subscription or purchase, where the Director or his associate(s) is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;

(v) any contract or arrangement or proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and/or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associate(s) are not in aggregate beneficially interested in 5 per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associate(s) is derived) or of the voting rights;

(vi) any proposal or arrangement concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director or his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such fund or scheme relates; or

(vii) any contract or arrangement concerning the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or his associate(s) may benefit.

(ii) by deleting Article 100(i) in its entirety and substituting therefor the following:

(i) A company shall be deemed to be a company in which a Director and/or his associate(s) owns 5 per cent. or more if and so long as (but only if so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in 5 per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third party through which his/their interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.

(iii) by deleting the words "together with any of his associates", "is" and "that Director" in the first and second lines respectively of Article 100(j) and substituting therefor the words "and/or his associate(s)", "is/are" and "that Director and/or his associate(s)" respectively;

(iv) by adding the words "and/or his associate(s)" immediately after "(other than the Chairman of meeting)" and "the interest of the Director" in the second and eighth lines of Article 100(k) respectively;

(v) by deleting Article 100(l) in its entirety;

(vi) by re-numbering Article 100(m) as Article 100(l);

(i) Articles 105

by deleting Article 105 in its entirety and substituting therefor the following:

Notices to be given when person proposed for election.	105. No person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company at least seven days before the date of the general meeting. The period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

(j) Article 107

by deleting the words "special resolution" in the first line and marginal note of Article 107 and substituting therefor the words "ordinary resolution";

(k) Article 163

by deleting Article 163 in its entirety and substituting therefor the following Article and its marginal note:

Relevant financial documents and summary financial report.	163. (a) The Board shall from time to time in accordance with the provisions of the Companies Ordinance cause to be prepared and laid before the Company at its annual general meeting the relevant financial documents.
	(b) Subject to paragraph (c) of this Article, the Company shall in accordance with the Companies Ordinance and any other applicable laws, rules and regulations, deliver or send to every entitled person a copy of the relevant financial documents of the Company or a copy of the summary financial report in place of a copy of the relevant financial documents from which the report is derived, not less than twenty-one days before the date of the general meeting of the Company concerned (or such other time as is permitted under the Companies Ordinance and any other applicable laws, rules and regulations). Provided that this Article shall not require a copy of

these documents to be sent to more than one of the joint holders of any shares or debentures or to any member of, or any holder of debentures, who is not entitled to receive notices of general meetings of the Company and of whose address the Company is unaware, but any member or holder of debentures of the Company to whom a copy of these documents has not been sent, shall be entitled to receive a copy of these documents free of charge on application at the registered office of the Company.

(c) Where any entitled person has, in accordance with the Companies Ordinance and any other applicable laws, rules and regulations, agreed to his having access to the relevant financial documents and/or the summary financial report of the Company on the Company's computer network as mentioned in Article 168(v) or, to the extent permitted by, and in accordance with the Companies Ordinance and any other applicable laws, rules and regulations, in any other manner (including any other form of electronic communication) instead of being sent the documents or report, as the case may be (an "assenting person"), the publication or making available by the Company, in accordance with the Companies Ordinance and any other applicable laws, rules and regulations, on the Company's computer network referred to above of the relevant financial documents and/or the summary financial report throughout the period beginning not less than twenty-one days before the date of the general meeting of the Company concerned and ending on such date in accordance with the Companies Ordinance and any other applicable laws, rules and regulations (or such other period or time as is permitted under the Companies Ordinance and other applicable laws, rules and regulations) shall be treated as having sent a copy of the relevant financial documents or a copy of the summary financial report to an assenting person in satisfaction of the Company's obligations under paragraph (b) of this Article.

(l) Article 167, 168, 169 and 170

by deleting Articles 167, 168, 169 and 170 in their entirety and substituting therefor the following new Articles and their marginal notes:

Address for notice.

167. Every entitled person shall register with the Company an address either in Hong Kong or elsewhere to which notices can be sent and if any member shall fail so to do, notice may be given to such member by sending the same in any of the manners hereafter mentioned to his last known place of business or residence, or if there be none, by posting the same for one day at the registered office of the Company or by posting the same on the website of the Company or any other electronic means. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register of members and notice so given shall be sufficient notice to all the joint holders.

Service of notices.

168. Any notice or document (including any "corporate communication" as defined in the Listing Rules), whether or not to be given or issued under the Companies Ordinance, other applicable laws, rules and regulations or these presents from the Company, may be served or delivered by the Company upon any entitled person:

(i) personally;

(ii) by sending it through the post in a prepaid envelope or wrapper addressed to such person at his registered place of address;

(iii) by advertisement in English in at least one English language newspaper and in Chinese in at least one Chinese language newspaper being in each case a newspaper published daily and circulating generally in Hong Kong and specified or permitted for this purpose by the Companies Ordinance and any other applicable laws, rules and regulations, and for such period as the Board shall think fit to the extent permitted by, and in accordance with the Companies Ordinance and other applicable laws, rules and regulations;

(iv) by sending or transmitting it as an electronic communication to such person at any telex or facsimile transmission number or electronic number or electronic address or computer network or website supplied by him to the Company for the giving of notice or document from the Company to him to the extent permitted by, and in accordance with the Companies Ordinance and other applicable laws, rules and regulations;

(v) by publishing it on the Company's computer network and giving to such person a notice in accordance with the Companies Ordinance, any other applicable laws, rules and regulations stating that the notice or other document is available there (a "notice of publication") to the extent permitted by, and in accordance with the Companies Ordinance and any other applicable laws, rules and regulations. The notice of publication may be given to such person by any of the means set out in paragraphs (i) to (iv) or (vi) of this Article; or

(vi) by sending or otherwise making available to such person through such means to the extent permitted by, and in accordance with, the Companies Ordinance and any other applicable laws, rules and regulations.

When notice deemed to be served.

169. (a) Any notice or other document (including any "corporate communication" as defined in the Listing Rules) given or issued by or on behalf of the Company:

(i) if served or delivered in person, shall be deemed to have been served or delivered at the time of personal service or delivery, and in proving such service or delivery, a certificate in writing signed by the Secretary (or other officer of the Company or such other person appointed by the Board) that the notice or document was so served or delivered shall be conclusive evidence thereof;

(ii) if served or delivered by post, shall be deemed to have been served or delivered on the day following that on which the envelope or wrapper containing the same is put into a post office situated within Hong Kong, and in proving such service or delivery, it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly prepaid, addressed and put into such post office. A certificate in writing signed by the Secretary (or such other officer of the Company or such other person appointed by the Board) that the envelope or wrapper containing the notice or other document was so prepaid, addressed and put into such post office shall be conclusive evidence thereof;

(iii) if sent or transmitted as an electronic communication in accordance with Article 168(iv) or through such means in accordance with Article 168(vi), shall be deemed to have been served or delivered at the time of the relevant despatch or transmission. A notice or document published in the Company's computer network in accordance with Article 168(v), shall be deemed to have been served or delivered on the day following that on which a notice of publication is sent to the entitled person. In proving such service or delivery, a certificate in writing signed by the Secretary (or such other officer of the Company or such other person appointed by the Board) as to the fact and time of such service, delivery, despatch, transmission or publication shall be conclusive evidence provided that no notification that the electronic communication has not reached its recipient has been received by the sender, except that any failure in transmission beyond the sender's control shall not invalidate the effectiveness of the notice or document being served; and

(iv) if served by advertisement in newspaper in accordance with Article 168(iii), shall be deemed to have been served on the day on which such notice or document is first published.

Choice of language.

(b) Subject to the Companies Ordinance and any other applicable laws, rules and regulations, any notice or other document (including but not limited to the documents referred to in Article 163 and "corporate communication" as defined in the Listing Rules) may be given by the Company in the English language only, in the Chinese language only or in both. Where a person has in accordance with the Companies Ordinance and any other applicable laws, rules and regulations consented to receive notices and other documents (including but not limited to the documents referred to in Article 163 and any corporate communication as defined in the Listing Rules) from the Company in the English language only or the Chinese language only but not both, it shall be sufficient for the Company to serve on or deliver to him any such notice or document in such language only in accordance with these presents unless and until there is a notice of revocation or amendment of such consent given or deemed to have been given by such person to the Company in accordance with the Companies Ordinance and any other applicable laws, rules and regulations which shall have effect in respect of any notice or document to be served on or delivered to such person subsequent to the giving of such notice of revocation or amendment.

Service of notice to persons entitled on death, mental disorder or bankruptcy of a member.

170. A notice or document may be given by or on behalf of the Company to the person(s) entitled to a share in consequence of death, mental disorder or bankruptcy of a member in such manner as provided in Article 168 in which the same might have been given if the death, mental disorder or bankruptcy had not occurred.

(m) Article 172

by deleting the words "by post or left at the registered address of any member in pursuance of these presents" in the first and second lines of Article 172 and substituting therefor the words "to any member in such manner as provided in Article 168";

(n) Article 173

by deleting the words "written or printed" in Article 173 and substituting therefor the words "written, printed or made electronically";

(o) Article 178

by deleting the words "paragraph (c) of the provision to Section 165 of the Ordinance" in the fourth line of paragraph (a) of Article 178 and substituting therefor the words "paragraph (2) of Section 165 of the Companies Ordinance"; and

(p) new Article 179

by adding the following new Article and its marginal note immediately after Article 178:

Liability insurance for officer or auditor

179. The Company shall have power to purchase and maintain for any officer of the Company, or any person employed by the Company as auditors:

(a) insurance against any liability to the Company, a related company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to the Company or a related company; and

(b) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to the Company or a related company.

For the purpose of this Article 179, "related company" means any company which is the Company's subsidiary or holding company or a subsidiary of the Company's holding company."

By order of the Board
Pui Man CHENG
Company Secretary

Hong Kong, 21 April 2004

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.

2. A proxy shall be deemed to be validly appointed if a duly completed form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, must be deposited at the Registered Office of the Company at Suite 1502, 15th Floor, Chinachem Golden Plaza, 77 Mody Road, Tsimshatsui East, Kowloon, Hong Kong NOT LESS THAN 48 hours before the time for holding the Meeting.

e-NEW MEDIA COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

PROXY FORM

I/We [(1)] ____

of ____ being

the holder(s) of [(2)] ______________________ share(s) of HK$0.01 each of

e-New Media Company Limited (the "Company") hereby appoint the Chairman of the Meeting

or ______________________ of ______________________

to act as my/our proxy [(3)] at the Annual General Meeting of the Company to be held at the Hilltop Country Club, 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong on Thursday, 3 June 2004 at 10:00 a.m. and at any adjournment thereof and to vote on my/our behalf as directed below.

Please make a mark in the appropriate boxes to indicate how you wish your vote(s) to be cast on a poll [(4)] .

RESOLUTION		FOR	AGAINST
1.	To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2003		
2.	(a) To re-elect Mr. Joseph Wing Kong LEUNG as Director		
	(b) To re-elect Mr. Derek Wai Choi LEUNG as Director		
	(c) To authorise the Board of Directors to fix the Directors' remuneration		
3.	To re-appoint KPMG as Auditors and authorise the Board of Directors to fix their remuneration		
4.	To grant a general mandate to the Directors to issue new shares		
5.	To approve amendments to the Articles of Association		

Dated ______________________ Shareholder's signature ______________________ [(5 & 6)]

Notes:

1 Full name(s) and address(es) are to be inserted in BLOCK CAPITALS.

2 Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).

3 A proxy need not be a member of the Company. If you wish to appoint a person other than the Chairman of the Meeting as your proxy, please delete the words "the Chairman of the Meeting or" and insert the name and address of the proxy in the space provided.

4 If this form is returned duly signed but without specific direction on any of the proposed resolutions, the proxy will vote or abstain at his discretion in respect of all resolutions; or if in respect of a particular proposed resolution there is no specific direction, the proxy will, in relation to that particular proposed resolution, vote or abstain at his discretion. A proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than those set out in the notice convening the meeting.

5 In the case of a joint holding, this form of proxy may be signed by any joint holder, but if more than one joint holder are present at the meeting, whether in person or by proxy, one of the joint holders whose name stands first on the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.

6 The form of proxy must be signed by a shareholder, or his attorney duly authorised in writing, or if the shareholder is a corporation, either under its common seal or under the hand of an officer or attorney so authorised.

7 To be valid, this form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the registered office of the Company, Suite 1502, 15th Floor, Chinachem Golden Plaza, 77 Mody Road, Tsimshatsui East, Kowloon, Hong Kong not later than 48 hours before the time of the meeting or any adjourned meeting.

8 Any alteration made to this form should be initialled by the person(s) who sign(s) the form.