DIGITEL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8030)

ANNUAL RESULTS ANNOUNCEMENT
For the year ended 31 December 2003

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination of GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This announcement, for which the directors of DigiTel Group Limited (the "Company") (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS FOR THE YEAR

- Turnover of the Group was approximately HK$3.4 million.
- Loss attributable to shareholders was approximately HK$6.9 million.
- The Directors do not recommend the payment of a final dividend.

FINAL RESULTS

The Directors announced the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2003, together with the comparative audited results for the year ended 31 December 2002 as follows:

		Year ended 31 December	
		2003	2002
	Note	***HK$'000***	*HK$'000*
Turnover	*2*		
Continuing operations		**3,382**	7,113
Discontinued operations		**–**	586
		3,382	7,699
Cost of sales		**(1,974)**	(12,193)
Gross profit/(loss)		**1,408**	(4,494)
Waiver of debts due to creditors		**1,182**	–
Other revenue		**387**	27
Selling expenses		**(5)**	(86)
Administrative expenses		**(6,085)**	(28,227)
Other operating expenses		**(1,867)**	(60,176)
Operating loss	*3*		
Continuing operations		**(4,980)**	(60,945)
Discontinued operations		**–**	(32,011)
		(4,980)	(92,956)
Finance costs	*4*		
Continuing operations		**(2,734)**	(4,010)
Discontinued operations		**–**	(2,988)
		(2,734)	(6,998)
Recovery of impairment of investment securities		**853**	227
Impairment of investment securities		**–**	(51,000)
Impairment of financial asset		**–**	(10,500)
Impairment of investment in associates		**–**	(690)
Loss before taxation		**(6,861)**	(161,917)
Taxation	*5*		
Continuing operations		**–**	(84)
Discontinued operations		**–**	–
		–	(84)
Loss attributable to shareholders		**(6,861)**	(162,001)
Basic loss per share (cents)	*6*	**(0.60)**	(14.72)

Notes:

1. **Basis of preparation**

(a) The accounts have been prepared under the historical cost convention in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA").

In the current year the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous periods, partial provision was made for deferred tax using the profit and loss account liability method, i.e, a liability was recognised in respect of timing differences between taxable profit and accounting profit to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

The adoption of the revised SSAP12 has had no material impact on the accounts of the Company for the current and prior accounting periods. Accordingly, no prior year adjustment has been required.

(b) The accounts have been prepared on a going concern basis which assumes, among other things, the realisation of assets and satisfaction of liabilities in the normal course of business. This assumption is dependent upon the successful completion of the restructuring of the Group's debts, the continuing financial support of the Group's bankers and creditors and other external funding being available. The Group is presently engaged in negotiations with its major creditors with a view to achieve debt restructuring agreement with each of them.

During the year, the Group and several creditors had reached final settlement agreements pursuant to which the Group had settled their respective debts at a sum lower than their respective recorded amounts and a gain of approximately HK$1,182,000 from waiver of debts was recognised in the accounts.

Subsequent to the balance sheet date, the Company entered into a loan agreement with an independent third party (the "Lender"). Pursuant to the loan agreement, the Lender agreed to make available to the Company a loan of up to HK$7 million, for the sole purpose of the settlement of the amount due to major creditors as set out in the schedule of the agreement. Up to the date of this report, the Company has drawn HK$3.5 million from the loan, of which approximately HK$3.2 million has been used for the full and final settlement of the amount due to three creditors. As the agreed settlement sum was lower than the respective recorded liabilities of the Group, a gain on waiver of debts for the year 2004 is anticipated.

The directors are of the opinion that the Group will be able to finalise the debt restructuring arrangement with other major creditors and obtain new working capital in order to enable the Group to continue as a going concern and meeting its working capital and financing requirements for the foreseeable future. On this basis, the directors consider that it is appropriate to prepare the accounts on a going concern basis. The accounts however do not include any adjustments that would result if the aforementioned negotiations were not successful.

Had the going concern basis not been used, adjustments would have to be made to reclassify non-current assets as current assets and non-current liabilities as current liabilities, reduce the value of assets to their recoverable amounts and provide for any future liablities which might arise.

2. Turnover

	2003	2002
	HK$'000	*HK$'000*
System integration contracts revenue	**917**	1,741
Sale of goods at invoiced value, net of returns and discounts	**1,707**	3,973
Web application services income	**–**	579
ISP services income	**–**	7
Rental income	**758**	1,399
	3,382	7,699

3. Operating loss

Operating loss is stated after charging the following:

	2003	2002
	HK$'000	*HK$'000*
Auditors' remuneration		
– current year	**238**	323
– over provision in prior year	**–**	(142)
Bad debts (recovery)/written off	**(393)**	21,517
Cost of goods sold	**1,974**	12,193
Deficit arising on revaluation of investment property	**–**	6,000
Depreciation		
– leased fixed assets	**11**	2,890
– owned fixed assets	**84**	2,596
Fixed assets written off	**–**	3,219
Inventories (recovery)/written off	**(72)**	18,897
Loss on disposal of fixed assets	**2,403**	10,405
Net exchange (gain)/loss	**(71)**	28
Operating leases rental in respect of land and buildings	**136**	5,732
Provision for non-recoverable of loan to a related company	**–**	80
Staff costs (excluding directors' remuneration)	**1,995**	4,490

4. Finance costs

	2003	2002
	HK$'000	*HK$'000*
Interest on bank loan and overdrafts	**2,101**	1,464
Interest on convertible notes	–	169
Finance leases charges	**453**	2,819
Interest on convertible debentures	–	2,397
Other loan interest	**180**	149
	2,734	6,998

5. Taxation

	2003	2002
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current year *(note a)*	–	–
– tax surcharge *(note b)*	–	84
Overseas taxation-current year *(note c)*	–	–
	–	84

(a) No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profit for the year.

(b) Tax charge of 2002 represented 5% tax surcharge on the profits tax payable of year 2000 to be settled by instalments.

(c) No provision for overseas taxation has been made for the year as the subsidiaries operating in the PRC have no assessable income for PRC taxation purpose.

(d) As at 31 December 2003, the Company had unrecognised deferred tax asset of approximately HK$22,788,000 (2002: approximately HK$22,203,000) which represents the tax effect of unused tax losses. Such deferred tax asset was not recognised in the accounts as it is uncertain whether future taxable profits will be available against which deductible temporary differences can be utilised.

6. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of approximately HK$6,861,000 (2002: approximately HK$162,001,000) and the weighted average of 1,140,730,792 (2002: 1,100,730,792) ordinary shares in issue.

There is no dilution arising from the outstanding share options granted by the Company, the convertible notes and convertible debentures issued by the Group. Accordingly, no diluted loss per share for both years had been presented.

7. Movement in reserves

Group	Share premium	Accumulated losses	Capital reserve on consolidation	Exchange reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002	36,533	(100,934)	59,368	(65)	(5,098)
Share issuance expenses	(286)	–	–	–	(286)
Exchange realignment	–	–	–	(2)	(2)
Loss for the year	–	(162,001)	–	–	(162,001)
At 31 December 2002	36,247	(262,935)	59,368	(67)	(167,387)
At 1 January 2003	36,247	(262,935)	59,368	(67)	(167,387)
Loss for the year	–	(6,861)	–	–	(6,861)
At 31 December 2003	36,247	(269,796)	59,368	(67)	(174,248)

8. Segmental information

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

(a) Business segments

For management purposes, the Group is currently organised into two divisions - sale of goods and system integration contracts. Others include property leasing.

For the year ended 31 December 2003

	Continuing operations			Discontinued operations		
	Sale of goods	System integration contracts revenue	Other operations	Web application services income	ISP services income	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER						
External revenue	1,707	917	758	–	–	3,382
RESULT						
Segment result	(261)	(1,615)	(1,753)	–	–	(3,629)
Waiver of debts due to creditors						1,182
Other revenue						387
Unallocated corporate expenses						(2,920)
Loss from operations						(4,980)
Finance costs						(2,734)
Recovery of impairment of investment securities						853
Loss before taxation						(6,861)
Taxation						–
Loss after taxation						(6,861)
ASSETS						
Segment assets	821	819	854	–	–	2,494
Unallocated corporate assets						11
Consolidated total assets						2,505
LIABILITIES						
Segment liabilities	8,731	19,487	19,622	–	–	47,840
Unallocated corporate liabilities						14,840
Consolidated total liabilities						62,680
OTHER INFORMATION						
Capital additions	–	22	–	–	–	
Depreciation and amortisation	–	95	–	–	–	
Inventory recovery	(72)	–	–	–	–	
Bad debts recovery	–	(393)	–	–	–	

For the year ended 31 December 2002

	Continuing operations			Discontinued operations		
	Sale of goods	System integration contracts revenue	Other operations	Web application services income	ISP services income	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER						
External revenue	3,973	1,741	1,399	579	7	7,699
RESULT						
Segment result	(31,340)	(14,422)	(8,439)	(5,536)	(26,475)	(86,212)
Other revenue						1
Unallocated corporate expenses						(6,745)
Loss from operations						(92,956)
Finance costs						(6,998)
Recovery of impairment of investment securities						227
Impairment of investment securities						(51,000)
Impairment of financial asset						(10,500)
Impairment of investment in associates						(690)
Loss before taxation						(161,917)
Taxation						(84)
Loss after taxation						(162,001)
ASSETS						
Segment assets	1,297	3,762	13,880	25	120	19,084
Unallocated corporate assets						207
Consolidated total assets						19,291
LIABILITIES						
Segment liabilities	8,524	20,308	7,791	376	20,326	57,325
Unallocated corporate liabilities						15,280
Consolidated total liabilities						72,605
OTHER INFORMATION						
Capital additions	151	–	–	–	–	
Depreciation and amortisation	925	406	–	1,075	3,034	
Inventories written off	11,051	–	–	273	7,573	
Bad debt written off	398	8,515	1,252	–	10,933	

(b) Geographical segments

The Group's operations are located in Hong Kong and the PRC. The Group's system integration contracts service is mainly carried out in the PRC whereas sale of goods are carried out in Hong Kong.

The following is the analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market (continuing operations)		**Revenue by geographical market (discontinued operations)**		**Total**	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,063**	5,372	**–**	586	**1,063**	5,958
The PRC	**2,319**	1,741	**–**	–	**2,319**	1,741
	3,382	7,113	**–**	586	**3,382**	7,699

The following is an analysis of the carrying amount of segment assets, and additions to fixed assets by the geographical area in which the assets are used to generate the revenue:

	Carrying amount of segment assets (continuing operations)		**Carrying amount of segment assets (discontinued operations)**		**Total**	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**2,456**	18,637	**–**	135	**2,456**	18,772
The PRC	**38**	302	**–**	10	**38**	312
Unallocated corporate assets					**11**	207
					2,505	19,291

	Additions to fixed assets (continuing operations)		**Additions to fixed assets (discontinued operations)**		**Total**	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**22**	151	**–**	–	**22**	151
The PRC	**–**	–	**–**	–	**–**	–
					22	151

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2003 (2002: Nil).

MODIFIED AND UNQUALIFIED AUDITORS' REPORT

The auditors' report on the annual accounts of the Group to the year ended 31 December 2003 has been modified and unqualified. Details of which are reproduced as follows:

"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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the basis adopted in the preparation of the Group's accounts. The Group's loss attributable to the shareholders was approximately HK$6,861,000 for the year ended 31 December 2003 and at that date its current liabilities exceeded its current assets by approximately HK$60,282,000 and the net liabilities of the Group amounted to approximately HK$60,175,000. Further, as explained in note 1 to the accounts, the Group is subject to various litigations from certain creditors. Other creditors have also demanded immediate payment of the amounts due to them. The Group is presently engaged in negotiations with the creditors regarding the settlement terms of their debts. The accounts have been prepared on a going concern basis, the validity of which depends upon the success of the debts restructuring arrangement with major creditors and availability of new working capital. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the accounts and our opinion is not qualified in this respect.

OPINION

In our opinion, the accounts 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 loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

During the year under review, the Group engaged in the trading of network equipment, system integration service and consultancy service for Hong Kong and the PRC market. The Group has strategically allied with its business partners for joint marketing and promotion. This is essential given the fact that the Group has maintained a small but efficient marketing team.

The radical downturn of the Internet business and the telecommunication markets in previous years has worsen the financial position of the Group. The tight cash flow position of the Group has resulted in less business activities being conducted. However, the Group is actively looking for new business opportunities in the PRC and Hong Kong through its established business network and business partners.

The Group foresees that the competition in network equipment will continue to be keen. In view of this, the Group has broadened its customer base from power supply and telecommunication industries into other sectors. The Group has identified the building automation system for the commercial and residential buildings in Hong Kong as an area with prospects. The Group has developed a series of solutions for the enhancement of the overall efficiency in electricity utilization which would reduce the electricity consumption in the public area of the buildings thereby reducing the electricity costs.

FINANCIAL REVIEW

For the year 2003, the Group's turnover was approximately HK$3.4 million, representing a 56% decrease from approximately HK$7.7 million for the year 2002. The Group recorded a loss attributable to shareholders approximately HK$6.9 million for the year 2003, a 96% improvement, as compared to the loss of approximately HK$162.0 million for the year 2002.

Turnover for the year 2003 mainly comprised trading of network equipment of approximately HK$1.7 million, system integration service of approximately HK$0.9 million and rental income of approximately HK$0.8 million.

Though the selling and administration expenses of the Group has been reduced to approximately HK$6.1 million as compared to approximately HK$28.3 million in the year 2002, the operating results of the year 2003 was a loss of approximately HK$5.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2003, the Group had total assets of approximately HK$2.5 million (as at 31 December 2002: approximately HK$19.3 million), including cash and bank balances of approximately HK$0.7 million (as at 31 December 2002 : approximately HK$0.5 million).

Bank overdrafts and trust receipt loans as at 31 December 2003 were approximately HK$10.9 million and HK$7.2 million respectively (as at 31 December 2002: approximately HK$10.1 million and HK$9.9 million respectively). All the bank borrowings were secured by the corporate guarantees given by the Company.

The Group's borrowings were mainly in Hong Kong dollars. The Group did not have any unutilised banking facilities as at 31 December 2003.

The gearing ratio (total long-term borrowings/total shareholders' funds) of the Group was not applicable as the Group suffered capital deficiency in both 31 December 2003 and 31 December 2002.

Almost all of the Group's cash is in Hong Kong dollars, the exposure to exchange fluctuation is minimal. Since most of the transactions of the Group were denominated in Hong Kong dollars or United States dollars, no hedging or other alternatives have been implemented.

CAPITAL STRUCTURE

The Group financed its operations by means of equity funding, loans from banks and financial institutions and funds generated from business operations.

Apart from intra-group liabilities and trade and other payables, as at 31 December 2003, the amount of short-term bank and other borrowings of the Group which will be repayable within one year was approximately HK$48 million (as at 31 December 2002: approximately HK$56.7 million) and the amount of long-term liabilities which will be repayable after more than one year was approximately HK$16,000 (as at 31 December 2002: approximately HK$35,000).

The Directors consider that the Group's future operations, capital expenditure and the capital requirement will be funded from business operations and, if necessary, additional equity or loan financing or bank borrowing.

INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year, the Group did not acquire or dispose of any material investments or subsidiaries.

SEGMENTAL INFORMATION

During the year, the sale of communication and network equipment and the system integration service constitute the major source of income of the Group. Geographical markets are mainly in the PRC while in last year were in Hong Kong.

CONTINGENT LIABILITIES

As at 31 December 2003, the Company had contingent liabilities in respect of (i) corporate guarantees to banks for banking facilities granted to the Group and (ii) guarantees for the due performance of its certain subsidiaries in respect of the obligations under finance leases and the convertible notes to Nortel Networks.

CHARGE OF ASSETS

As at 31 December 2003, there was no charge of assets.

LITIGATIONS

As at the date of this report, the Group has been involved in material outstanding claims and litigations with details as follows:-

Litigations and claims involved the Company and/or its subsidiaries and/or associated companies

(a) On 1 June 2002, a writ was issued by Elegance Finance Printing Services Limited ("Elegance") against the Company for the outstanding printing charges of approximately HK$0.16 million. The Company filed a defence on 26 June 2002 which denies all the allegations. No further action has been taken by either party thereafter.

(b) On 26 June 2002, a writ was issued by Strong River Investments Incorporated and Montrose Investments Limited (the "Plaintiffs") against the Company for redemption payments in the sum of US$1.66 million pursuant to a redemption agreement dated 3 December 2001 together with interest thereon. Summary judgment was granted against the Company on 26 August 2002 for (i) US$1.66 million and (ii) interest on US$1.66 million at 18% per annum from 7 March 2002 until 26 August 2002 and thereafter at the judgment rate until payment. On 7 October 2002, a stay of execution was granted by the court.

(c) On 19 August 2002, Nortel Networks (Asia) Limited ("Nortel Networks") appointed receiver and manager for the Group's certain network equipment purchased from Nortel Networks. The corresponding equipment was repossessed by Nortel Networks and the outstanding indebtedness was approximately US$0.74 million of which the Company and two wholly owned subsidiaries are guarantors.

(d) On 24 September 2002, Key Equipment Finance Asia Limited ("KEF") issued a statutory demand for lease payment in the sum of approximately US$0.50 million. The Company is a guarantor for the lease agreement. KEF repossessed the equipment on 12 September 2002.

Litigations and claims not involved the Company but involved the Company's subsidiaries and/or associated companies

(e) On 11 March 2002, a writ was issued, amended on 22 August 2002 and further amended on 24 October 2002 by The Center (65) Limited ("The Center (65)") against three wholly owned subsidiaries of the Company and one associated company of the Group (collectively "the Defendants") for the unpaid rent, other charges and damages for the previous office of the Defendants in an aggregate sum of approximately HK$1.95 million. The Group has settled all rental payment up to 31 March 2002, delivered vacant possession on 9 May 2002 and its 3-month rental deposit of approximately HK$1.18 million is being retained by The Center (65). The Group, therefore, does not consider that it has material obligation to pay any further sum to The Center (65). No further action has been taken by either party thereafter.

(f) On 2 September 2002, a writ was issued by The Center (43) Limited ("The Center (43)") against Regal Policy Limited, a wholly owned subsidiary of the Company for outstanding rent of approximately HK$4.4 million for the period from 1 June 2002 to the expiry date under the tenancy agreement dated 18 April 2000. Regal Policy Limited filed its defence on 27 September 2002, denying the claim. Vacant possession was delivered on 1 August 2002. No further action has been taken by either party thereafter.

(g) On or about 17 January 2003, a writ was issued by the Inland Revenue Department to DigiTel Communication (Asia) Limited ("DCAL") for the sum of approximately HK$0.34 million, being profits tax for the year 2000/01. Summary judgment was entered on 23 April 2003 against DCAL for a judgment debt of $309,829.83 together with interest and legal costs. No further action has been taken by either party thereafter.

Apart from the actions against the Group disclosed above, there are no other material outstanding claims and litigations against the Group.

EMPLOYEES

The total employees' remuneration, including that of the Directors, for the year amounted to approximately HK$3.0 million (year ended 31 December 2002: approximately HK$7.3 million). The full-time employees as at 31 December 2003 was 9 (as 31 December 2002 : 9). The Group remunerates its employees based on their performance, experience and the prevailing industrial practice and has operated a defined contribution mandatory provident fund since 1 December 2000 and to which the Group makes contributions based on the relevant regulations.

SHARE OPTION SCHEMES

Pursuant to the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of the Company adopted on 30 June 2000, with the purpose to recognise the contribution of certain employees of the Group to the growth of the Group, the Directors and employees of the Group may be granted share options to subscribe for shares of the Company at an exercise price of HK$1.05 each. All options have a duration of 10 years from the date of grant of the options and exercisable after six months from the date of listing of the shares of the Company on GEM and each option shall be lapsed on the date after three months of cessation of the employment of the relevant grantee. No share options can be granted under the Pre-IPO Share Option Scheme after the listing of the shares of the Company on 12 July 2000.

As at 31 December 2003, there were 20,000,000 (as at 31 December 2002: 20,000,000) outstanding share options granted under the Pre-IPO Share Options Scheme, with option period from 3 July 2000 to 2 July 2010. No share options were exercised under the Pre-IPO Share Option Scheme since its adoption.

Under the share option scheme (the "Share Option Scheme") of the Company adopted on 30 June 2000, with the purpose of providing incentives, the Directors and employees of the Group may be granted share options to subscribe for shares of the Company at an exercise price determined by the Directors and shall be no less than the higher of (i) the closing price of the shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant. The total number of shares, which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other option scheme of the Company (including the Pre-IPO Share Option Scheme), must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time. A non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of an option. The options are exercisable within a period not less than 3 years and not more than 10 years from the date of grant. No share options were granted under the Share Option Scheme since its adoption.

ADVANCE TO ENTITIES

Pursuant to rule 17.15 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Company or any its subsidiaries exceeds 25% of the Group's net tangible assets. As at 31 December 2003, the net tangible assets of the Group is negative, therefore, the relevant disclosures are applicable as follows:

Trade receivable represents rental income received by the receivers and managers of the investment property of the Group amounting to approximately HK$850,000. Such amount has been applied for the settlement of the outstanding amount due to the mortgagee bank subsequently to the year end date.

The trade receivable is an independent third party not connected with the Directors, chief executive, management shareholders or substantial shareholders of the Company or their respective associate as defined in the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December, 2003, the interests and short positions of the directors and chief executive in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.40 of the GEM Listing Rules were as follows:

Long positions in shares

(a) The Company

Name	Type of interests	Number of shares of the Company	Percentage of issued shares
Mr. Lee Chuen Bit *(Note 1)*	Corporate	643,242,469	56.39%

Note 1

The shares of the Company are held by Lit Cheong Holdings Limited, the issued share capital of which is equally and beneficially held by the Grand Nature Trust ("GNT") and the Grand Will Trust.

Under the terms of GNT, certain members of the family of Mr. Lee Chuen Bit are potential capital beneficiaries of the trust (so that they may become capital beneficiaries of the trust). Mr. Lee Chuen Bit is not at present a potential capital beneficiary of GNT, but he is eligible to be declared as such pursuant to the existing provisions of the trust. Any of the potential capital beneficiaries may become a capital beneficiary if and when so declared as such pursuant to the applicable provisions of GNT, provided that he/she is not excluded under the provisions of the trust. Under the terms of the trust, the beneficiaries also include charities namely the Tung Wah Group of Hospitals, the Community Chest of Hong Kong, The Barbados Cancer Society and the Duke of Edinburgh's Award Scheme, if their respective purposes are recognised as exclusively charitable under Cayman Islands laws.

(b) Associated corporations

No long positions of directors and chief executive in shares of associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.40 of the GEM Listing Rules.

Long positions in underlying shares and debentures

No long positions of directors and chief executive in underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.40 of the GEM Listing Rules.

Short positions in shares, underlying shares and debentures

No short positions of directors and chief executive in shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.40 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHDOLERS

As at 31 December 2003, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under section 336 of the SFO.

Long positions in shares

Name	Capacity	Type of interests	Number of shares of the Company	Percentage of issued shares
Lit Cheong Holdings Limited *(Note 1 and 2)*	Beneficial owner	Corporate	643,242,469	56.39%
Grand Nature (Cayman) Limited *(Note 1)*	Interest of a controlled corporation	Corporate	643,242,469	56.39%
Grand Nature Corp *(Note 1)*	Interest of a controlled corporation	Corporate	643,242,469	56.39%
Grand Will (Cayman) Limited *(Note 2)*	Interest of a controlled corporation	Corporate	643,242,469	56.39%
Grand Will Limited *(Note 2)*	Interest of a controlled corporation	Corporate	643,242,469	56.39%
Royal Bank of Canada Trust Company (Cayman) Limited *(Note 3)*	Trustee	Corporate	643,242,469	56.39%
Mr. Ho Lok Cheung *(Note 4)*	Trustee	Personal	543,242,469	47.62%

Note 1

Grand Nature (Cayman) Limited holds 100% equity interests in Grand Nature Corp. Grand Nature Corp holds 50% equity interests in Lit Cheong Holdings Limited.

Note 2

Grand Will (Cayman) Limited holds 100% equity interests in Grand Will Limited. Grand Will Limited holds 50% equity interests in Lit Cheong Holdings Limited.

Note 3

Royal Bank of Canada Trust Company (Cayman) Limited is the trustee of Grand Nature (Cayman) Limited and Grand Will (Cayman) Limited.

Note 4

Mr. Ho Lok Cheong holds the shares of the Company for Lit Cheong Holdings Limited as its trustee.

Long positions in underlying shares

No long positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Short positions in shares and underlying shares

No short positions of other persons and substantial shareholders in the shares and underlying shares of equity derivatives of the Company were recorded in the register.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES AND DEBENTURES

Pursuant to the Share Option Scheme of the Company, the Directors and employees of Group may be granted share options to subscribe for shares of the Company at an exercise price. During the year, no options were granted or exercised by the Directors and chief executive and as at 31 December 2003, there were no outstanding options which were granted to the Directors and chief executive.

Apart from the above, at no time during the year neither the Company, any of its subsidiaries nor its holding company was a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executive or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

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

During the year ended 31 December 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTEREST

The Directors are not aware of, as at 31 December 2003, any business or interest of each director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules throughout the year ended 31 December 2003.

AUDIT COMMITTEE

In compliance with rules 5.23 to 5.25 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee met 4 times during the current financial year. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems.

By Order of the Board
Lee Chuen Bit
Chairman

Hong Kong, 29 March 2004

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting.