

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries, principal jointly-controlled entities and associates are set out in notes 13, 15 and 16, respectively, to the financial statements. There were no material changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

Details of the turnover and contribution to loss from operating activities of the Group, by principal activity and geographical area in respect of the Group's operations, are set out in notes 3 and 4, respectively, to the financial statements.

RESULTS

The Group's loss for the year ended 31 March 2001 and the state of affairs of the Company and the Group as at that date are set out in the accompanying financial statements on pages 20 to 67.

Report of the Directors (cont'd)

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the results and net assets of the Group for the prior years/period.

	Year ended 31 March 2001 HK\$'000	Year ended 31 March 2000 HK\$'000	Fifteen months ended 31 March 1999 HK\$'000 (Restated)	Year ended 31 December 1997 HK\$'000 (Restated)	Year ended 1996 HK\$'000 (Restated)
Turnover					
Continuing operations	63,341	51,918	152,921	790,525	697,759
Discontinued operations	–	77,619	57,287	–	–
	63,341	129,537	210,208	790,525	697,759
Profit/(loss) from operating activities					
Continuing operations	(117,015)	14,532	(308,855)	(280,808)	(4,256)
Discontinued operations	12,090	(850,818)	(4,510)	–	–
	(104,925)	(836,286)	(313,365)	(280,808)	(4,256)
Finance costs	(624)	(3,828)	(13,067)	(20,183)	(21,283)
Share of results of:					
Jointly-controlled entities	19,989	(26,604)	(16,229)	(21,361)	(18,886)
Associates	(87)	(35,227)	(10,755)	27,839	2,723
Loss before tax	(85,647)	(901,945)	(353,416)	(294,513)	(41,702)
Tax	10,172	(920)	(2,981)	(3,570)	4,896
Loss before minority interests	(75,475)	(902,865)	(356,397)	(298,083)	(36,806)
Minority interests	13	5,323	3,759	8,740	(22,385)
Net loss from ordinary activities attributable to shareholders	(75,462)	(897,542)	(352,638)	(289,343)	(59,191)

Report of the Directors (cont'd)

SUMMARY OF FINANCIAL INFORMATION (Cont'd)

	31 March 2001 HK\$'000	31 March 2000 HK\$'000	31 March 1999 HK\$'000 (Restated)	31 December 1997 HK\$'000 (Restated)	31 December 1996 HK\$'000 (Restated)
Total assets	315,255	330,453	306,800	817,097	898,244
Total liabilities	59,981	131,325	103,516	247,408	135,529
Minority interests	816	829	6,152	8,852	69,452
Net assets	254,458	198,299	197,132	560,837	693,263

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 23 to the financial statements.

SHARE PREMIUM AND RESERVES

Details of movements in the share premium account and reserves of the Company and the Group during the year are set out in note 24 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2001, the Company did not have any reserves available for distribution to its shareholders.

Report of the Directors (cont'd)**DIRECTORS**

The directors of the Company during the year were as follows:

Executive directors:

Lincoln Chee Wang Jin #	(appointed on 1 June 2000)
Savio Kwong Chi Shing	
Fung See Man	(appointed on 13 April 2000)

Non-executive directors:

Liu Cho Chit*	
Ngai Wah Sang*	
Subandi Tanuwidjaja	(resigned on 13 April 2000)

Independent non-executive directors:

Gerald Godfrey	
Michael Kan Yuet Yun	(appointed on 10 May 2000)
Gloria Chang Wong	(resigned on 28 April 2000)

Dr. Lincoln Chee Wang Jin was appointed as Chairman of the Company on 1 July 2000.

* Dr. Liu Cho Chit and Mr. Ngai Wah Sang, who were formerly executive directors of the Company, were redesignated as non-executive directors of the Company on 1 July 2000 and 18 December 2000, respectively.

In accordance with Articles 87 and 88 of the Company's articles of association, Mr. Ngai Wah Sang and Mr. Gerald Godfrey will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

TERMS OF OFFICE FOR INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors are subject to reappointment or retirement by rotation in accordance with Articles 86(B), 87 and 88 of the Company's articles of association.

Messrs. Gerald Godfrey and Michael Kan Yuet Yun, the independent non-executive directors, have entered into consultancy agreements with the Company, both for a term of three years commencing from the date of appointment on 16 December 1997 and 10 May 2000, respectively.

Report of the Directors (cont'd)

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2001, the interests of the directors, chief executive and their associates in the share capital of the Company and its associated corporations as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or notified to the Company, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name	Type of interests	Number of ordinary shares held
Liu Cho Chit	Corporate (Note 1)	5,507,000
Liu Cho Chit	Corporate (Note 2)	1,075,000
Savio Kwong Chi Shing	Personal	4,380,000
Michael Kan Yuet Yun	Personal	750,000
Michael Kan Yuet Yun	Family	100,000

Notes:

- (1) These shares are owned by Lorong Chuan Development Pte. Limited, a company owned as to 61% by Dr. Liu Cho Chit.
- (2) These shares are owned by Wen Ming Investments Pte. Limited, a company owned as to 38% by Dr. Liu Cho Chit.

Save as disclosed above, as at 31 March 2001, none of the directors, chief executive or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations which was recorded in the Register, as defined in the SDI Ordinance.

Report of the Directors (cont'd)

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the terms of a share option scheme adopted by the Company on 5 January 1993, the board of directors may, at their absolute discretion, grant options to eligible employees of the Group, including executive directors, to subscribe for shares in the Company. Further details of the share option scheme are set out in note 23 to the financial statements.

Details of movements in the number of share options granted to the directors of the Company during the year are summarised as follows:

Name of directors	Number of share options (in thousands)				Exercise period of share options	Exercise price of share options HK\$
	At 1 April 2000	Adjustment* during the year	Granted during the year	At 31 March 2001		
Lincoln Chee Wang Jin	-	-	13,000	13,000	04.10.00 – 04.01.03	0.189
Savio Kwong Chi Shing	1,750	7,000	-	8,750	08.08.97 – 07.08.02	5.65*
Savio Kwong Chi Shing	1,800	7,200	-	9,000	24.03.00 – 04.01.03	0.422*
Savio Kwong Chi Shing	-	-	8,000	8,000	04.10.00 – 04.01.03	0.189
Fung See Man	2,500	10,000	-	12,500	24.08.00 – 04.01.03	0.422*
Fung See Man	-	-	2,000	2,000	04.10.00 – 03.10.02	0.189
	6,050	24,200	23,000	53,250		

* Adjusted to take into account the four-for-one bonus issue of shares of the Company as set out in note 23(a) to the financial statements.

HK\$1 was payable by each of the grantees upon the acceptance of a grant of options.

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 Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Report of the Directors (cont'd)

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, according to the Register required to be kept by the Company under Section 16(1) of the SDI Ordinance, the shareholders who were interested in 10% or more of the issued share capital of the Company were as follows:

Name	Number of shares held	Notes	Percentage
Edmund Cheung	150,000,000	(1)	10.85
Lalebell Limited	150,000,000	(1)	10.85
Natural Flair Limited ("Natural Flair")	292,034,000	(2)	21.12
Besford International Limited ("Besford")	292,034,000	(2)	21.12
China Online (Bermuda) Limited ("China Online")	292,034,000	(2)	21.12
China Sci-Tech Holdings Limited ("China Sci-Tech")	292,034,000	(2)	21.12
Vigor Online Offshore Limited ("Vigor")	292,034,000	(2)	21.12

Notes:

- (1) Edmund Cheung is interested by virtue of his beneficial interest in Lalebell Limited.
- (2) Natural Flair is a wholly-owned subsidiary of Besford. Besford is a wholly-owned subsidiary of China Online. China Sci-Tech, through its wholly-owned subsidiaries, Vigor and Harbour Fair Overseas Limited held 34% interest in China Online.

Save as disclosed above, no other party was recorded in the Register as having an interest in 10% or more of the issued share capital of the Company.

Report of the Directors (cont'd)**BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT****Directors**

Dr. Lincoln Chee Wang Jin, aged 37, was appointed as an Executive Director of the Company in June 2000. He was later appointed as Chairman of the Board in July 2000. Dr. Chee received his basic medical degree from the National University of Singapore and subsequently his post-graduate fellowship in ear, nose and throat surgery from the Royal College of Surgeons, Edinburgh, the United Kingdom. He was awarded a government scholarship to be a clinical fellow in surgical rhinology at the University of Iowa Hospitals in the United States of America. Dr. Chee has experience in investment assessment on Information Technology projects and is an advisor and consultant to a healthcare technology service provider. His background and relationships will enhance the Group's potential direct investment opportunities in the South East Asia and diversification into life science projects. He was a consultant surgeon at Singapore General Hospital and a Clinical Tutor at the National University of Singapore prior to his appointment as an Executive Director of the Company.

Mr. Savio Kwong Chi Shing, aged 41, has been an Executive Director and the Chief Executive Officer of the Company since April 1997. He has more than 17 years of broad-based experience in financial management, international business, operations, merger & acquisitions and strategic planning. He is an associate member of the Institute of Chartered Accountants of Australia. Prior to joining the Group, Mr. Kwong has worked for some of the most prominent financial institutions and extensively involved in property development and business investments, with particular emphasis in both Hong Kong and the PRC.

Mr. Fung See Man, aged 38, joined the Company as the Chief Operations Officer in February 2000 and was appointed as an Executive Director of the Company in April 2000. He holds a Master degree in Business Administration from the University of Western Ontario, Canada. He is a fellow of the Association of Chartered Certified Accountants in the United Kingdom; an associate of the Hong Kong Society of Accountants; a member of the Institute of Chartered Secretaries and Administrators of the United Kingdom; a Certified Management Accountant in Canada and a Certified Public Accountant in the United States of America. Prior to joining the Group, Mr. Fung had over 15 years of experience working in public accounting, the electronics industry and various multi-national and listed companies in Hong Kong and North America.

Report of the Directors (cont'd)

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

(Cont'd)

Directors (Cont'd)

Dr. Liu Cho Chit, aged 66, who holds an honorary doctorate degree in Business Administration, United States of America, and a Civil Engineering Diploma, Australia, was appointed as Chairman and an Executive Director of the Company in May 1998. He has over 30 years' experience in construction, property development and investment. In Singapore, he is the chairman of Hoe Huat Holdings Pte. Ltd. and Hoe Hong Realty Pte. Ltd. and is also currently the Vice-Chairman of The Nanyang Khek Community Guild and a Trustee of the Fong Yun Thai Association. Dr. Liu was redesignated as a Non-Executive Director of the Company on 1 July 2000.

Mr. Ngai Wah Sang, aged 42, has been a Director of the Company since April 1997. He is an associate member of the Institute of Chartered Accountants of Australia. Mr. Ngai has extensive experience in dealing with business development and investments in both Hong Kong and the PRC. Mr. Ngai was redesignated as a Non-Executive Director of the Company on 18 December 2000.

Mr. Subandi Tanuwidjaja, aged 35, has been an Executive Director of the Company since January 1997 and was redesignated as a Non-Executive Director of the Company in May 1998. He has wide experience in the textiles, garments and trading industries. He is also the President of the Susanto Group, an Indonesian group engaged in the manufacturing and trading of textile products. He resigned as a director of the Company on 13 April 2000.

Mr. Gerald Godfrey, aged 72, has been an Independent Non-Executive Director of the Company since December 1997. He is the Honorary Consul in Hong Kong and Commandeur du Quissame Alouitte, for the Kingdom of Morocco. He is also a director of Charlotte Horstmann & Gerald Godfrey Ltd.

Mr. Michael Kan Yuet Yun, aged 61, was appointed as an Independent Non-Executive Director of the Company on 10 May 2000. He is a member of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants of Singapore. He has many years' experience as the Finance Director of a multi-national company, from which he has retired.

Ms. Gloria Chang Wong, aged 60, has been an Independent Non-Executive Director of the Company since April 1997. She is a member of the Chinese People's Political & Consultative Conference and Selection Committee. She is also a director of Metro-Ads International Limited, Shanghai Metro-Ads Advertising Company Limited and Atlas Express Worldwide Limited. Ms. Wong resigned as a director of the Company on 28 April 2000.

Report of the Directors (cont'd)**SENIOR MANAGEMENT**

Mr. Roger Tong Shun Hong, aged 40, joined the Group as Vice President in February 2001. He holds a Bachelor degree of Computer Engineering and a Master degree of Engineering both from McMaster University, Canada and a Master Degree in Business Administration from Wilfrid Laurier University, Canada. He has over 16 years of international experience in the high technology, development, design, manufacturing and service industries. He also has proven experience in the management of international corporations, introduction of new services and technologies, process improvements with strong skills in customer relationship, business development, team building and staff development.

Ms. Shing Mei Fong, aged 35, has been the Company Secretary of the Company since August 1997. She is an associate member of the Institute of Chartered Secretaries and Administrators of the United Kingdom and an associate member of the Hong Kong Institute of Company Secretaries. She held various executive roles in multi-national and listed companies in Hong Kong before joining the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting period covered by this annual report, save that the non-executive directors have not been appointed for any specific terms of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company. The Company has established an audit committee in July 1999 in accordance with paragraph 14 of the Code of Best Practice. The present members of the audit committee are Messrs. Gerald Godfrey, Michael Kan Yuet Yun and Ngai Wah Sang.

AUDITORS

The financial statements of the Company for the fifteen months ended 31 March 1999 were audited by Deloitte Touche Tohmatsu. During the year ended 31 March 2000, Deloitte Touche Tohmatsu resigned as auditors of the Company and Ernst & Young were appointed by the directors as auditors to fill the casual vacancy so arising. There have been no other changes of auditors during the past three years.

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lincoln Chee Wang Jin (Dr.)
Chairman

Hong Kong, 26 July 2001