

Report of the Directors

The directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 12 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating profit/(loss) by principal activities and geographical location for the year ended 31 December 2000 is as follows:

	Turnover <i>HK\$'000</i>	Contribution to operating profit/(loss) <i>HK\$'000</i>
By activity:		
Discontinued operations:		
Sale of animated films	23,473	5,383
e-KONG services operations:		
Telecommunication services	63,740	(76,281)
Internet security solution services	8,292	195
Insurance and management consulting services	3,336	(6,386)
Corporate events management services	1,284	(8,458)
	<u>100,125</u>	<u>(85,547)</u>
Add: Interest income and investment income		28,861
Gain realised from e-KONG venture operations		76,051
Gain on disposal of subsidiaries		23,521
Less: Other operating expenses		<u>(38,891)</u>
Profit before taxation		<u>3,995</u>

SEGMENTAL INFORMATION (Cont'd)

	Turnover <i>HK\$'000</i>	Contribution to operating profit/(loss) <i>HK\$'000</i>
By geographical location:		
Hong Kong	65,753	(62,527)
Singapore	1,850	(12,313)
U.S.A.	32,522	(10,707)
	<u>100,125</u>	<u>(85,547)</u>
Add: Interest income and investment income		28,861
Gain realised from e-KONG venture operations		76,051
Gain on disposal of subsidiaries		23,521
Less: Other operating expenses		<u>(38,891)</u>
Profit before taxation		<u>3,995</u>

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2000 are set out in the consolidated income statement on page 18.

The board of directors of the Company has not recommended the payment of any dividend for the year ended 31 December 2000 (1999: Nil).

GROUP FINANCIAL SUMMARY

A summary of results, assets and liabilities of the Group for the last five financial years is set out on pages 51 and 52.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 8% of the Group's total turnover for the year, and sales to the largest customer included therein amounted to approximately 3%.

The aggregate purchases attributable to the five largest suppliers accounted for approximately 38% of the Group's total purchases for the year, and purchases from the largest supplier included therein amounted to approximately 20%.

At no time during the year have the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital had any interest in the five largest customers and suppliers.

Report of the Directors *(Cont'd)*

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group are set out in note 11 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 22 to the financial statements.

DIRECTORS

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

Executive Directors:

Mr. Richard John Siemens (*Chairman*) (appointed on 24 January 2000)
Mr. Ong Soon Kiat
Mr. Derrick Francis Bulawa
Mr. Lim Shyang Guey

Non-executive Directors:

Mr. Mokhzani Bin Mahathir
Mr. Peng Chian Chua

Independent Non-executive Directors:

Mr. Ngan Chor Man
Mr. Fung Che Kwong, Peter

In accordance with the Bye-laws of the Company, Mr. Peng Chian Chua and Mr. Ngan Chor Man shall retire at the forthcoming annual general meeting and are eligible for re-election.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2000, the directors had the following interests in the issued share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) as notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:

Name of director	Number of ordinary shares held		Number of share options held
	Personal interest	Other interest	
Mr. Richard John Siemens	110,000,000	—	28,700,000 (note 1)
Mr. Ong Soon Kiat	988	—	— (note 2)
Mr. Derrick Francis Bulawa	—	—	38,518,509 (note 3)
Mr. Lim Shyang Guey	—	—	10,300,000 (note 4)

Notes:

- 28,700,000 share options have been granted during the year under the Company’s Employee Share Option Scheme (the “Scheme”) which are exercisable at the exercise price of HK\$0.68 per share during the period from 24 January 2000 to 24 October 2009.
- 9,168,988 share options have been exercised at the exercise price of HK\$0.42 per share during the year.
- 38,518,509 share options have been granted under the Scheme, in which (i) 23,961,235 share options are exercisable at the exercise price of HK\$0.42 per share during the period from 25 October 2000 to 24 October 2009; (ii) 4,750,000 share options are exercisable at the exercise price of HK\$0.49 per share during the period from 16 November 2000 to 24 October 2009; (iii) 250,000 share options are exercisable at the exercise price of HK\$0.60 per share during the period from 23 December 2000 to 24 October 2009; (iv) 25,000 share options, granted during the year, are exercisable at the exercise price of HK\$0.69 per share during the period from 3 January 2001 to 24 October 2009; and (v) 9,532,274 share options, granted during the year, are exercisable at the exercise price of HK\$0.35 per share during the period from 25 October 2000 to 24 October 2009.
- 10,300,000 share options have been granted under the Scheme, in which (i) 4,500,000 share options are exercisable at the exercise price of HK\$0.42 per share during the period from 25 October 2000 to 24 October 2009; (ii) 1,500,000 share options, granted during the year, are exercisable at the exercise price of HK\$0.68 per share during the period from 21 February 2000 to 24 October 2009; (iii) 500,000 share options, granted during the year, are exercisable at the exercise price of HK\$0.68 per share during the period from 1 March 2000 to 24 October 2009; and (iv) 3,800,000 share options, granted during the year, are exercisable at the exercise price of HK\$2.30 per share during the period from 3 April 2000 to 24 October 2009.

Save as disclosed above, none of the directors, chief executive and/or any of their associates had any interests in the issued share capital of the Company or any of its associated corporations (as defined in the SDI Ordinance) as at 31 December 2000 pursuant to Section 29 of the SDI Ordinance.

Report of the Directors *(Cont'd)*

ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

In accordance with the Scheme which was adopted in a Special General Meeting held on 25 October 1999, the directors of the Company may grant options to eligible employees, including directors, to subscribe for shares in the Company. Any options granted can be exercised within the period as set out in the rules and regulations for the Scheme.

Details of share options granted to or exercised by the directors during the year and their outstanding options as at 31 December 2000 are shown above. Details of the Scheme of the Company are set out in note 21 to the financial statements.

Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable any director or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors, the chief executive, nor any of 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 during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

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, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, according to the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance, the Company was notified that the following shareholder had an interest of 10% or more of the Company's issued share capital.

Name	Number of ordinary shares held	Percentage of total issued ordinary share capital
Goldtron Limited	207,717,140	13.32%

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 December 2000.

SHARE CAPITAL

Details of movements in the Company's share capital during the year and the purpose of the shares issued are set out in note 20 to the financial statements.

PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in note 12 to the financial statements.

LIQUIDITY

Working capital of the Group increased from HK\$101,406,000 to HK\$393,252,000 during the year. The increase primarily represents an increase in cash and bank deposits as a result of issuance and placement of new ordinary shares during the year. Cash and bank deposits as at 31 December 2000 were HK\$412,988,000.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loans, overdrafts or other borrowings as at 31 December 2000. There was no interest capitalised by the Group during the year.

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

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

RETIREMENT BENEFITS SCHEME

The Group operated a defined contribution pension scheme (the "Pension Scheme") for all employees of the Group up to August 2000. The assets of the Pension Scheme were held separately by independently administered funds.

The Pension Scheme was funded by contributions from employees and the Group as employer. The employees and the Group contributed respectively to the Pension Scheme sums which represent percentages of salaries of the employees as defined under the relevant trust deeds.

The total amount pursuant to the Pension Scheme charged to the income statement during the year ended 31 December 2000 amounted to HK\$272,000 after offsetting contributions forfeited of HK\$165,000 during the year. No forfeited contribution was available to the Group to reduce its contributions to the Pension Scheme in future years as at 31 December 2000.

In December 2000, the Group had joined the Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of the Mandatory Provident Fund Authority.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical particulars of the directors and senior management of the Company are set out on pages 15 to 16 under Directors and Senior Management Profile of this Annual Report.

REMUNERATION POLICIES AND EMPLOYEE RELATIONS

As at 31 December 2000, the Group employed approximately 225 full-time employees. The Group has maintained good relationships with its employees and has not experienced any labour dispute. None of the Group's employees is represented by a labour union.

Report of the Directors *(Cont'd)*

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, save and except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda although there are no restrictions against such rights under the laws in Bermuda.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint the auditors, Messrs. Moores Rowland, *Chartered Accountants, Certified Public Accountants*.

On behalf of the Board

Richard John Siemens
Chairman

Hong Kong, 8 March 2001