

# DIRECTORS' REPORT

The directors present their annual report and audited financial statements of the Company and of the Group for the year ended 31 December 2000 with comparative figures for the nine months ended 31 December 1999.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and securities trading.

The principal activities of the subsidiaries are the provision of telecommunications services, provision of data bureau services and e-commerce enabling technologies via the Internet, the holding of investments in e-commerce technology development companies and the management and operation of recreational clubs.

The Group's turnover and contribution to the Group's loss from operations analysed by principal activity and geographical area are as follows:

	year ended 31 December 2000		9 months ended 31 December 1999	
	Turnover HK\$'000	Contribution to the Group's loss from operations HK\$'000	Turnover HK\$'000	Contribution to the Group's loss from operations HK\$'000
<b>By principal activity:</b>				
Provision of telecommunications services	634,123	52,348	131,862	8,192
Provision of data bureau services via Internet	150,051	(9,784)	63,182	2,765
Recreational club operations	27,585	(25,179)	19,642	(18,077)
Securities trading	8,583	6,051	4,166	11,985
Investment holding	57,136	53,887	4,324	2,664
Provision of e-commerce enabling technologies	691	(201,832)	–	–
	<b>878,169</b>	<b>(124,509)</b>	223,176	7,529
Deficit on revaluation of properties		(53,961)		–
Corporate expenses and other operations		(12,134)		(7,777)
		<b>(190,604)</b>		(248)

	year ended 31 December 2000		9 months ended 31 December 1999	
	Turnover HK\$'000	Contribution to the Group's loss from operations HK\$'000	Turnover HK\$'000	Contribution to the Group's loss from operations HK\$'000
<b>By geographical area:</b>				
Hong Kong	95,541	(150,488)	26,862	6,108
PRC	2,704	(16,232)	2,146	(9,649)
Japan	292,981	10,076	58,554	3,363
Other Asia Pacific regions	20,833	1,613	4,786	289
Europe	227,515	14,234	75,260	4,185
North America	204,934	14,019	50,878	3,022
Others	33,661	2,269	4,690	211
	<b>878,169</b>	<b>(124,509)</b>	223,176	7,529
Deficit on revaluation of properties		(53,961)		–
Corporate expenses and other operations		(12,134)		(7,777)
		<b>(190,604)</b>		(248)

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2000 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 21 to 56.

## DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2000 (1999: Nil).

## CHANGE OF FINANCIAL YEAR END DATE

The financial year-end of the Group has been changed from 31 March to 31 December since December 1999. Accordingly, the financial statements cover the twelve-month period from 1 January 2000 to 31 December 2000. Comparative figures for the nine-month period from 1 April 1999 to 31 December 1999 are included.

## MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

	%
<b>Purchases</b>	
– the largest supplier	29
– five largest suppliers combined	56
<b>Sales</b>	
– the largest customer	33
– five largest customers combined	77

None of the directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

## PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group and the Company during the year are set out in note 10 to the financial statements.

## SHARE CAPITAL

The movements in share capital of the Company during the year are set out in note 23 to the financial statements.

## SHARE OPTION SCHEME

The particulars of the share option scheme to subscribe for shares of the Company and the share options granted and exercised during the year are set out in note 24 to the financial statements.

## RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

## PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Company's principal subsidiaries, associates and jointly controlled entities at 31 December 2000 are set out in pages 57 to 59.

## REDEMPTION AND ISSUE OF DEBENTURES

During the year, a subsidiary redeemed debentures amounting to HK\$60,000. As at 31 December 2000, debentures totalling HK\$20,330,000 were in issue.

## CONVERTIBLE BONDS

Particulars of the convertible bonds of the Group and the Company are set out in note 20 to the financial statements.

## BORROWINGS

Particulars of the bank and other borrowings of the Group and the Company are set out in notes 18 and 21 to the financial statements.

## DONATIONS

Donations made by the Group during the year amounting to HK\$60,000 (1999: Nil).

## DIRECTORS

The directors who held office during the year and up to the date of this report were:

### Executive Directors

Joseph Wing Kong Leung	(appointed on 21 December 2000)
James C. Ng	(appointed on 31 March 2001)
Derek Wai Choi Leung	(appointed on 21 December 2000)
Cecilia Lai Ching Ip	
Sing Chung Chee	(resigned on 31 March 2001)
David Tai Wai Wong	(resigned on 22 September 2000)
Andrew Reginald Karl Wilson	(appointed on 14 February 2000 and retired on 29 June 2000)
Bertrand Pierre Folliet	(appointed on 14 February 2000 and retired on 29 June 2000)
Wing Kwan Lai	(vacated on 14 April 2000)

### Non-executive Director

John Gerard Tonroe	(appointed on 14 February 2000 and retired on 29 June 2000)
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**Independent Non-executive Directors**

Cheng Fen Chao	
Raymond Wai Pun Lau	(appointed on 31 March 2001)
Alex Po Hang Wong <i>JP</i>	(resigned on 31 March 2001)
Jark Pui Lee <i>JP OBE</i>	(appointed on 14 April 2000 and resigned on 18 December 2000)
Shu Hoi Keung	(resigned on 10 July 2000)

Mr Cheng Fen Chao and Ms Cecilia Lai Ching Ip shall retire from the Board by rotation at the forthcoming Annual General Meeting in accordance with Article 110 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Mr Joseph Wing Kong Leung, Mr James C. Ng, Mr Derek Wai Choi Leung and Mr Raymond Wai Pun Lau being new directors appointed by the Board, shall retire from the Board at the forthcoming Annual General Meeting in accordance with Article 115 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

The non-executive directors do not have specific terms of appointment but are subject to retirement on the same basis as the executive directors.

**ALTERNATE DIRECTORS**

The alternate directors who held office during the year and up to the date of this report were:

Cheng Fen Chao, alternate director to Jark Pui Lee <i>JP OBE</i>	(appointed on 27 April 2000 and resigned on 18 December 2000)
Sing Chung Chee, alternate director to Cheng Fen Chao	(appointed on 20 April 2000 and resigned on 31 March 2001)
Sing Chung Chee, alternate director to Cecilia Lai Ching Ip	(appointed on 20 April 2000 and resigned on 31 March 2001)
Sing Chung Chee, alternate director to Alex Po Hang Wong <i>JP</i>	(appointed on 19 April 2000 and resigned on 31 March 2001)
Sing Chung Chee, alternate director to David Tai Wai Wong	(appointed on 20 April 2000 and resigned on 22 September 2000)
Cecilia Lai Ching Ip, alternate director to Cheng Fen Chao	(appointed on 20 April 2000)
Cecilia Lai Ching Ip, alternate director to Alex Po Hang Wong <i>JP</i>	(appointed on 19 April 2000 and resigned on 31 March 2001)
Cecilia Lai Ching Ip, alternate director to David Tai Wai Wong	(appointed on 20 April 2000 and resigned on 22 September 2000))
John Gerard Tonroe, alternate director to Bertrand Pierre Folliet	(appointed on 20 April 2000 and resigned on 29 June 2000)

**DIRECTORS' SERVICE CONTRACTS**

None of the directors who are proposed for re-election at the forthcoming Annual General Meeting has a 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 obligation.

**PARTICULARS OF SHARES HELD BY DIRECTORS**

The directors who held office at 31 December 2000, had the following interests in the share capital of the Company which require notification pursuant to Section 28 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:

	Number of shares held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Joseph Wing Kong Leung	–	–	200,000	–	200,000
Cecilia Lai Ching Ip	608,000	–	–	–	608,000
Cheng Fen Chao	1,383,920	–	–	–	1,383,920
Sing Chung Chee	2,837,166	–	–	–	2,837,166

Save as disclosed above, no directors and their associates have any beneficial or non-beneficial interests in the share capital of the Company and associated corporations as at 31 December 2000 required to be disclosed pursuant to the SDI Ordinance and the Model Code.

## DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to a share option scheme approved by the shareholders of the Company on 30 December 1997 the Company's directors may, at their discretion, invite executive directors and full time employees of the Group to take up options to subscribe for shares of the Company subject to the terms and conditions stipulated therein. As at 31 December 2000, the directors of the Company had the following personal interests in options to subscribe for the shares of the Company granted under the share option scheme:

	Options outstanding at the year end	Date of grant	Period during which options exercisable	Price per share to be paid on exercise of options HK\$
Cecilia Lai Ching Ip	4,300,000	11.10.1999	11.10.1999 to 29.12.2007	1.528
Sing Chung Chee	5,000,000	11.10.1999	11.10.1999 to 29.12.2007	1.528

During the year, none of directors had exercised the options.

Apart from the above, at no time during the year was the Company, or its subsidiaries a party to any arrangements to enable the directors of the Company (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the following parties had registered an interest of more than 10% in the share capital of the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance.

	Number of shares	%
Solution Bridge Limited	408,757,642	24.8
Ms Nina Kung (Note)	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 interest in Solution Bridge Limited and another shareholder.

Save as disclosed above, there were no other parties who were known to the Directors to be the registered holders or have any interest or right to subscribe for 10% or more of the issued share capital of the Company at 31 December 2000.

### **DIRECTORS' INTEREST IN CONTRACTS**

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director 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 or sold any of the Company's listed securities during the year.

### **FINANCIAL 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 page 60.

### **RETIREMENT SCHEME**

(a) Defined contribution provident fund scheme ("PF Scheme")

The PF Scheme is administered by an independent trustee. Under the PF Scheme, both the Group and staff make monthly contributions to the PF Scheme each with an amount of 5% of the employees' basic salaries (capped at HK\$30,000). The forfeited contributions and related accrued interest are used to reduce the employer's contributions. For the year ended 31 December 2000, the Group's provident fund contributions charged to the income statement amounting to HK\$424,000. The aggregate amount of employer's contributions forfeited in the current year was HK\$69,000.

(b) Mandatory provident fund scheme ("MPF Scheme")

The MPF Scheme was established under the Mandatory Provident Fund Ordinance in December 2000. Since the Group has obtained exemption for its existing provident fund scheme, all staff who joined the PF Scheme were offered the choice of switching to the MPF Scheme or staying in the PF Scheme. All new staff and those who did not join the PF Scheme shall join the MPF Scheme. Where staff joined the MPF Scheme, both the Group and staff are required to contribute 5% of the employees' relevant income (capped at HK\$20,000). For the year ended 31 December 2000, the Group's mandatory provident fund contributions charged to the income statement amounting to HK\$24,000.

### **AUDIT COMMITTEE**

The Group established an audit committee in 1999. The committee in the year under review has made its duties to review and supervise the financial reporting process and internal control system of the Group, and to provide advice and comments to the board of directors of the Company.



**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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year.

**USE OF PROCEEDS**

The Company raised HK\$861,000,000 (net of expenses) in January 2000 through a placement of 235,000,000 new shares to independent investors. As at 31 December 2000, the Group had applied HK\$150,815,000 of the net proceeds to invest in the development of e-commerce enabling technologies.

The remaining proceeds were deposited in banks while management is seeking further investment opportunities in value-added projects in order to enhance the benefits of the shareholders.

**AUDITORS**

At the Company's last Annual General Meeting Nelson Wheeler were re-appointed as auditors of the Company. On 1 January 2001 our auditors changed the name under which they practise to RSM Nelson Wheeler and, accordingly, have signed their auditors' report in their new name.

RSM Nelson Wheeler will retire at the forthcoming Annual General Meeting and do not offer themselves for reappointment. A resolution for the appointment of KPMG as auditors of the Company for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

By order of the Board  
**Joseph Wing Kong Leung**  
*Chairman*

Hong Kong, 12 April 2001