

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries and an associate are set out in notes 42 and 43 to the financial statements, respectively.

Results and Appropriations

The results and appropriations of the Group for the year ended 31 December 2000 are set out in the consolidated income statement on page 13.

The directors recommend the payment of a final dividend of 0.5 HK cents per share to the shareholders of the Company whose names appear on the Register of Members on 1 June 2001 and the retention of the remaining profit for the year.

Financial Summary

A financial summary of the Group for the past five financial years is set out on page 52.

Share Capital, Warrants and Share Options

Details of movements in the share capital, warrants and share options of the Company during the year are set out in notes 24, 25 and 26 to the financial statements, respectively.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

Investment Properties and Property, Plant and Equipment

The Group's investment properties, and land and buildings were revalued at 31 December 2000 and the resulting

deficits arising on these revaluations of approximately HK\$1,350,000 and HK\$2,395,000 respectively have been charged to the consolidated income statement.

Details of these and other movements in the investment properties, property, plant and equipment of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

Directors and Service Contracts

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

Executive directors:

Mr. Law Wing Kit, Stephen

Mr. Chang Wang

Mr. Chen Chi Lin, Peter (appointed on 3 November 2000)

Independent non-executive directors:

Mr. Cheng Mo Chi, Moses

Mr. Tan Shao Hua

In accordance with clauses 99 and 182 of the Company's bye-laws, Messrs. Chen Chi Lin, Peter and Tan Shao Hua will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

Directors' Interests in Contracts

Other than as disclosed in the "Transactions with the substantial shareholder" section of this report and note 41 to the financial statements, no contracts 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.

Directors' and Chief Executives' Interests in Shares, Warrants and Share Options

As at 31 December 2000, none of the directors and chief executives of the Company or any of their associates had any interests in any securities of the Company or any of its subsidiaries or associated corporations as defined in the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise 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.

Directors' Rights to Acquire Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company.

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance recorded the following parties as having an interest representing 10% or more in the issued share capital of the Company as at 31 December 2000:

Name	Number of shares held	Percentage held
China Sci-Tech Holdings Limited ("CST")	3,172,830,000	34.17%
Vigor Online Offshore Limited ("Vigor")	3,000,000,000	32.31%

Note: Harbour Fair Overseas Limited ("Harbour Fair") held 172,830,000 shares in the Company. Both Harbour Fair and Vigor are wholly-owned subsidiaries of CST. Accordingly, CST is deemed by the SDI Ordinance to be interested in aforementioned shares.

Save as disclosed above, no person has registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Major Customers and Suppliers

Aggregate sales attributable to the Group's five largest trade customers were less than 30% of total sales and the aggregate purchases attributable to the Group's five largest trade suppliers were less than 30% of total purchases.

Transactions with the Substantial Shareholder

During the year, the Group had the following transactions with CST:

- On 2 June 2000, the Company issued a total of 637,148,000 warrants of the Company to Harbour Fair and Vigor, both of which are wholly-owned subsidiaries of CST at a price of HK\$0.05 per warrant on the basis of one warrant for every five existing shares held. Additionally, Cyber Range Limited, another wholly-owned subsidiary of CST, subscribed 890,292,547 warrants of the Company on the same date pursuant to an underwriting agreement dated 24 March 2000, which was subsequently amended by a supplemental agreement dated 18 April 2000. The total underwriting commission paid to CST was HK\$1,526,000 based on 2.5% of the total issue price of the warrants underwritten by CST.
- In 2000, the Company paid a reimbursement of expenses of HK\$6,000,000 to CST. The reimbursement includes (i) salaries of two directors of the Company, both of them also being the directors of CST; (ii) other staff costs; and (iii) daily operating expenses.

Convertible Securities, Options, Warrants or Similar Rights

Other than the outstanding warrants and share options as set out in notes 25 and 26 respectively to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2000.

Purchase, Sale or Redemption of Listed Securities

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

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Corporate Governance

The Company has complied throughout the year ended 31 December 2000 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

Auditors

During the year, Messrs. Ernst & Young resigned as auditors of the Company and Messrs. Deloitte Touche Tohmatsu were then appointed. Except for the fiscal period from 1 January 1999 to 31 December 1999, in which Messrs. Ernst & Young acted as auditors of the Company, Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the preceding two years.

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Law Wing Kit, Stephen
Chairman

Hong Kong, 24 April 2001