

REPORT OF THE DIRECTORS

The directors present their annual report together with the audited accounts of the Company and the Group for the year ended 31 December 2000.

CHANGE OF COMPANY'S NAME

By a special resolution passed on 26 June 2000, the name of the Company was changed from Fairform Holdings Limited to eForce Holdings Limited with effect from 27 June 2000 and the Company adopted the “意科控股有限公司”, for the purpose of identification only, as the New Chinese name.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 12 on the accounts.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year is set out in note 3 on the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	21%	
Five largest customers in aggregate	51%	
The largest supplier		7%
Five largest suppliers in aggregate		20%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

RESULTS

The Group's results for the year ended 31 December 2000 and the state of the Company's and the Group's affairs as at that date are set out in the accounts on pages 28 to 71.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2000.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 24 on the accounts.

FIXED ASSETS

Details of movements in fixed assets of the Group during the year are set out in note 11 on the accounts.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in notes 12 and 13 on the accounts.

SHARE CAPITAL

Details of movements in share capital of the Company during the year and the use of the proceeds from shares issues are set out in note 23 on the accounts. Shares were issued during the year to broaden the capital base of the Company.

SHARE OPTIONS AND CONVERTIBLE NOTES

Details of share options and convertible notes issued during the year and their subsequent conversion are set out in note 23 and 20 respectively on the accounts.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive directors

Mr Leung Chung Shan	(appointed on 1 February 2000)
Mr Li Shiu Tong, Andrew	(appointed on 1 February 2000)
Mr Kong Siu Ming	(appointed on 12 June 2000)
Mr Huen Raico Hing Wah	(resigned on 26 June 2000)
Mr Leung Tak Ming	(resigned on 26 June 2000)
Mr Kwan Man Lung	(resigned on 1 February 2000)
Ms Huen Law, Suk Chau Josephine	(resigned on 1 February 2000)

Independent non-executive directors

Mr Chow Siu Ngor
Mr Ting Leung Huel, Stephen

In accordance with clause 87 of the Company's Bye-laws, Mr Kong Siu Ming retires from the board by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

Independent non-executive directors are not appointed for a specific term because all of the directors, including non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting, in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

All the executive directors of the Company have service contracts with the Company for a term of 3 years commencing from 1 February 2000 except Mr Kong Siu Ming whose service contract commenced on 12 June 2000. The service contracts of all executive directors are subject to termination by either party giving not less than 6 month's written notice or otherwise shall continue thereafter from year to year.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has an unexpired 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 obligations.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES

The directors of the Company who held office at 31 December 2000 had the following interests in the issued share capital of the Company (within the meaning of the Securities (Disclosure of Interests) Ordinance) at that date as recorded in the register of directors' share interests:

Name of director	Nature of interest	Number of shares
Leung Chung Shan	Corporate (<i>Note</i>)	616,000,000

Note: 616,000,000 shares are held by Tees Corporation, a Company incorporated in the British Virgin Islands and is wholly-owned by Mr Leung Chung Shan.

At 31 December 2000, the directors of the Company had the following personal interests in options to subscribe for shares of the Company (market value per share is HK\$1.13 at the balance sheet date) granted at nominal consideration under a share option scheme of the Company. Each option gives the holder the right to subscribe for one share.

	No. of options outstanding at the year end	Date granted	Period during which options exercisable	No. of shares acquired on exercise of options during the year	Price per share to be paid on exercise of options	Market value per share at date of grant of options
Kong Siu Ming	8,000,000	10 July 2000	10 July 2001 to 9 July 2010	—	HK\$0.588	HK\$0.71
Li Shiu Tong, Andrew	5,000,000	10 July 2000	10 July 2001 to 9 July 2010	—	HK\$0.588	HK\$0.71

Apart from the foregoing, at no time during the year was the Company, any of its holding Company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company or any of their spouses or children under eighteen 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

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The Company has been notified of the following interests in the Company's issued shares at 31 December 2000 amounting to 10% or more of the ordinary shares in issue:

	Ordinary shares held	Percentage of total issued shares
Tees Corporation (<i>Note</i>)	616,000,000	54.18%

Note: Tees Corporation is a Company incorporated in the British Virgin Islands and is wholly-owned by Mr Leung Chung Shan.

DIRECTORS' INTERESTS IN CONTRACT

Apart from the transactions set out in notes 27(c) to 27(e) on the accounts, in which Mr. Leung Chung Shan through its shareholdings in Tees Corporation, the ultimate holding company of the Group, is interested, no other contracts of significance to which the Company, its holding company or any of their subsidiaries was a party, in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company had no reserves available for distribution to shareholders of the Company, as computed in accordance with the Companies Act 1981 of Bermuda. However, the Company's share premium account, with a balance of HK\$1,251,594,000 as at 31 December 2000, may be distributed in the form of fully paid bonus shares.

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.

CONNECTED TRANSACTIONS

Details of the Company's connected transactions are set out in note 27 on the accounts.

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

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2000 are set out in notes 18 and 20 on the accounts.

FIVE YEAR 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 72 to 73 of the annual report.

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on note 11 on the accounts.

PENSION SCHEME

The Group operates a defined contribution pension scheme for those employees who are eligible and have elected to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made by the Group based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the employer contributions being vested fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

Details of the pension scheme contributions of the employees, net of forfeited contributions, which have been dealt with in the profit and loss account of the Group for the year ended 31 December 2000, are set out in note 5 on the accounts. At 31 December 2000, there are no forfeited contributions available to offset against future employer contributions to the scheme.

REPORT OF THE DIRECTORS

USE OF PROCEEDS

The total net proceeds received from the share issues during the year amounted to HK\$1,324 million are analysed as follows:—

Date of transactions	Events	Note	No. of shares issue	Net proceeds received HK\$'000
1 February 2000	Debt restructuring exercise	1	600,000,000	30,000
1 February 2000	Placement of convertible notes	1	—	8,500
1 March 2000	Placement and subscription exercise	2	120,000,000	127,000
3 July 2000	Acquisition of optical fibre cable	3	60,000,000	48,000
21 December 2000	Rights issue exercise	4	1,080,009,020	1,110,000
				<hr/>
				<u>1,323,500</u>

These proceeds were used for the following purposes:

1. Consistent with the disclosure in the Circular of the Company dated 7 January 2000, the proceeds of \$30 million received from the subscription were used for repayment of unsecured bank indebtedness amounted to \$15 million; and the remaining balance of \$15 million together with the additional proceeds received from the placing of convertible notes amounted to \$8.5 million were used as working capital.
2. The net proceeds received from the placing and subscription agreement entered on 24 February 2000 amounted to \$127 million were used to finance (i) the acquisition of 100% interests in Space Treasure Limited trading as Chinacon.net for a consideration of \$20 million, (ii) the acquisition of 20% interests in Megabit Telecom Inc. for a consideration of \$70 million and (iii) the remaining balance of \$37 million was used as working capital.
3. As stated in the Company's announcement on discloseable transactions dated 5 June 2000, the consideration for the acquisition of a section of the optical fibre cable which covers the section from Guangzhou to Zhuhai in the People's Republic of China ("PRC") amounted to \$48 million was satisfied by the issue and allotment of consideration shares of 60,000,000 ordinary shares of \$0.80 each to Tokatee Internet Limited.

USE OF PROCEEDS *(Continued)*

4. The net proceeds received from the Company's rights issue exercise amounted to \$1,110 million of which the funds were used as to (i) finance the further acquisition of 80% interests in Megabit Telecom Inc. for a consideration of \$1,040 million and (ii) the remaining balance of HK\$70 million was used as working capital.

AUDIT COMMITTEE

Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), an Audit Committee, comprising two independent non-executive directors, namely Messrs Chow Siu Ngor and Ting Leung Huel, Stephen, was established on 28 December 1999. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice throughout the period covered by the annual report except that independent non-executive directors are not appointed for a special term as recommended under Appendix 14 of the Listing Rules. According to the By-laws of the Company, independent non-executive directors of the Company will retire by rotation, and their appointment will be reviewed when they are due for re-election. In the opinion of the Company, this meets the same objective as the Code of Best Practice.

AUDITORS

Ernst & Young acted as the Company's auditors for years ending 31 December 1998 and 1999.

KPMG were first appointed as auditors of the Company upon the special resolution for the removal of Ernst & Young passed at the special general meeting of the Company held on 30 March 2001.

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Leung Chung Shan

Chairman and Executive Director

Hong Kong
23 April 2001