

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the period from September 1, 1999 to December 31, 2000.

During the period, the Company changed its financial year end date from August 31 to December 31 to conform with the financial year end date of one of its major shareholders.

CHANGE OF COMPANY NAME

By a special resolution passed on June 8, 2000, the name of the Company was changed from Righteous (Holdings) Limited to Silvernet Group Limited.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in note 44 to the financial statements. During the period, the Group ceased the business of distribution, retailing, wholesaling and department store operation.

RESULTS

The results of the Group are set out in the consolidated income statement on page 22.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 72.

FIXED ASSETS

The Group's investment properties were revalued at December 31, 2000. The net deficit arising on the revaluation amounted to HK\$8,188,000 and has been charged to the income statement.

Details of the above and other movements in the fixed assets of the Group and the Company during the period are set out in notes 16 and 17 to the financial statements.

PROPERTIES HELD FOR INVESTMENT PURPOSES

Details of properties held by the Group for investment purposes at December 31, 2000 are set out on pages 73 and 74.

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SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates at December 31, 2000 are set out in note 44 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the period in the Company's share capital and share options of the Company and a subsidiary are set out in notes 29 and 30 to the financial statements respectively.

RESERVES

Movements during the period in the reserves of the Group and the Company are set out in note 31 to the financial statements.

BORROWINGS

Details of the Group's borrowings are set out in notes 27 and 28 to the financial statements.

No interest was capitalised by the Group during the period.

DIRECTORS

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

Executive directors:

Sun Qiang Chang, <i>Chairman</i>	(appointed on April 20, 2000)
Gao Jian Min, <i>Vice Chairman</i>	(appointed on March 8, 2000)
Koo Fook Sun, Louis, <i>Chief Executive Officer</i>	(appointed on September 7, 2000)
Zhao Jian Gong	(appointed on March 8, 2000)
Wang Tianye	
Chung Ping Sum	(resigned on August 3, 2000)
Wong Kin Ping	(resigned on August 3, 2000)
Chen Guoping	(resigned on March 8, 2000)
Lam Kwan Chuen	(resigned on March 8, 2000)
Zhang Honglin	(resigned on March 8, 2000)

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DIRECTORS (Continued)

Independent non-executive directors:

Huang Zheng	(appointed on June 23, 2000)
Lau Yuen Sun, Adrian	(appointed on February 16, 2001)
Li Weibin	(resigned on August 3, 2000)
Kung Men Hong, Daniel	(resigned on April 13, 2000)

In accordance with clause 86(2) of the Company's bye-laws, Messrs. Gao Jian Min, Koo Fook Sun, Louis, Zhao Jian Gong, Huang Zheng and Lau Yuen Sun, Adrian shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each director, including the independent non-executive directors, is the period up to his retirement by rotation in accordance with the Company's bye-laws.

Mr. Koo Fook Sun, Louis, Mr. Zhao Jian Gong and Mr. Wang Tianye have entered into service contracts with the Company for a term of three years from September 4, 2000, two years from March 8, 2000 and two years from September 1, 1999 respectively.

Other than as disclosed above, no director being proposed for re-election at the forthcoming annual general meeting has a service contract, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

As at December 31, 2000, the interests of the directors and their associates in the share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of Director	Name of Company	Number of shares	
		Personal interests	Corporate interests
KOO Fook Sun, Louis	Silvernet Group Limited	–	35,000,000 (Note)
ZHAO Jian Gong	eGoChina Holdings Limited	1,146,667	–

Note: The 35,000,000 shares are held by Win Profits Investments Limited ("Win Profits") which is beneficially owned by Mr. Koo Fook Sun, Louis.

As as August 31, 1999, none of the directors or chief executives of the company had any interest (whether beneficial or non-beneficial) in the shares or debt securities of the company or any of its associated corporation.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the share option schemes of the Company and one of its subsidiaries adopted at the Company's annual general meeting and special general meeting on July 26, 1993 and July 22, 2000 respectively are set out in note 30 to the financial statements.

Movements during the period of the Company's share options granted to the directors are set out below:

Name of directors	Subscription price per share HK\$	Exercisable period	Share options granted during the period	Share options outstanding at 31.12.2000
Sun Qiang Chang	0.290	24.5.2000 - 23.5.2010	50,000,000	50,000,000
Gao Jian Min	0.520	10.3.2000 - 9.3.2010	50,000,000	50,000,000
Koo Fook Sun Louis	0.378	4.9.2000 - 3.9.2010	50,000,000	50,000,000
Zhao Jian Gong	0.520	10.3.2000 - 9.3.2010	30,000,000	30,000,000
Wang Tianye	0.520	10.3.2000 - 9.3.2010	20,000,000	20,000,000
			200,000,000	200,000,000

No share option was exercised by the directors during the period.

No share option was granted under the share option scheme of the subsidiary during the period.

Other than as disclosed above, at no time during the period was the Company or 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.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in the section below headed "connected transactions", no contracts of significance to which the Company or 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 period or at any time during the period.

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CONNECTED TRANSACTIONS

1. An agreement dated June 12, 2000 was entered into between the Company and Warburg, Pincus Ventures, L.P. ("WPV"). WPV is an associate of a substantial shareholder of the Company, Atlantic Cay International Limited ("Atlantic Cay"). Pursuant to the terms and conditions set out therein, the Company agreed to acquire from WPV 1 share of US\$1.00 in the capital of New China Control System Limited ("New China") representing its entire issued share capital and the loan in the principal amount of US\$3,375,000 due and owing by New China to WPV, at a consideration of US\$10,000,000. The consideration was satisfied by the issue and allotment of 211,382,114 shares of HK\$0.10 each of the Company.
2. An agreement dated June 12, 2000 was entered into between the Company and Warburg, Pincus Venture International, L.P., Warburg, Pincus Equity Partners, L.P., Warburg, Pincus Netherlands Equity Partner I, C. V., Warburg, Pincus Netherlands Equity Partners II, C.V., and Warburg, Pincus Netherlands Equity Partners III, C.V. (collectively known as "WP Seoul I Vendors"). WP Seoul I Vendors are the beneficial shareholders of the entire issued share capital of Atlantic Cay. Pursuant to the terms and conditions set out therein, the Company agreed to acquire the entire issued share capital of WP Seoul I, Inc. which is the registered owner of 133,940 common shares of IBR, Inc., representing 22.57% of its equity interest. The consideration payable by the Company is US\$12,800,000 which was satisfied by the issue and allotment of 270,569,106 shares of HK\$0.10 each of the Company to Atlantic Cay.
3. Rado International Limited ("Rado"), a wholly-owned subsidiary of the Company and Ms. Ni Lin and Mr. Li Zhi Qiang, the founders of eGoChina.com Consultancy Services Co., Ltd. (a subsidiary of eGoChina Holdings Limited), who respectively holds 83.33% and 16.67% interest in eGoChina Holdings Limited entered into an agreement with Atlantic Cay, iVentures I, L.P. and Comtech Development Co., Ltd. (collectively the "Investors") and eGoChina Holdings Limited on June 12, 2000 for the subscription of the Series A voting convertible preferred shares of US\$0.001 each in the capital of eGoChina Holdings Limited ("Preferred Shares") by the Investors. The subscription price of the Preferred Shares was an aggregate of US\$3,100,000. The subscription price payable by Atlantic Cay and iVentures I, L.P. were US\$2,000,000 and US\$1,000,000 respectively which were satisfied in cash while the amount of US\$100,000 payable by Comtech Development Co., Ltd. was satisfied by the provision of information technology services.

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CONNECTED TRANSACTIONS *(Continued)*

4. On September 11, 2000, Datalink Asia Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Win Profits to acquire from Win Profits its entire equity interest in Great Choices International Limited ("Great Choices"), representing 15.29% of the entire issued share capital of Great Choices at a consideration of HK\$14,000,000. The consideration was satisfied by the issue and allotment of 35,000,000 shares of HK\$0.10 each of the Company to Win Profits. The entire issued share capital of Win Profits is wholly and beneficially owned by Mr. Koo Fook Sun, Louis, a director of the Company.
5. On December 11, 2000, eGoChina Holdings Limited entered into a subscription agreement with Rado and Atlantic Cay whereby Rado and Atlantic Cay agreed to subscribe for 1,000,000 and 2,000,000 Preferred Shares respectively at an aggregate consideration of US\$3,000,000. The consideration was satisfied in cash. The transaction was completed in January 2001 after approval at the Special General Meeting of the Company held on January 15, 2001.

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2000, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the following shareholders had interests of 10% or more in the share capital of the Company:

Name of shareholder	Number of ordinary shares
Fantasy Resources Limited ("Fantasy")	1,100,000,000
Silver Grant International Industries Limited (Note)	1,103,490,000
Atlantic Cay International Limited	770,569,106

Note: Silver Grant International Industries Limited beneficially owns the entire share capital of Fantasy and is accordingly deemed by the SDI Ordinance to be interested in the shares of the Company held by Fantasy.

Other than as disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the Company had not been notified of any interests representing 10% or more of the issued share capital of the Company as at December 31, 2000.

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MAJOR CUSTOMERS AND SUPPLIERS

During the period, the Group disposed of the subsidiaries engaged in the retailing business and had changed its major business to e-commerce and investment holding. The Group did not have any trade debtors and creditors as at December 31, 2000 to present as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 43 to the financial statements.

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

During the period, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited, details of which are set out in note 29 to the financial statements, and the shares were cancelled upon repurchase. The directors considered that the repurchases would improve the shareholders' value.

Other than as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws although there is no restriction against such rights under the laws in Bermuda.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the period from September 1, 1999 to December 31, 2000 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the Company had only one independent non-executive director following the resignation of Mr. Li Weibin on August 3, 2000. The office remained vacant until Mr. Lau Yuen Sun, Adrian was appointed as an independent non-executive director on February 16, 2001.

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AUDITORS

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

On behalf of the Board

Sun Qiang Chang
CHAIRMAN

Hong Kong, April 20, 2001