

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31st March, 2001.

LISTING ON THE MAIN BOARD (THE "MAIN BOARD") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

The Company was registered as an exempted limited company in the Cayman Islands under the Companies Law (1995 Revision) of the Cayman Islands on 25th March, 1998. The Company has a wholly-owned subsidiary, Everest Technology Investments Limited, which was incorporated in the British Virgin Islands on 30th November, 1999. This subsidiary was acquired by the Company on 13th June, 2000. Accordingly, the Company became the holding company of the Group.

The shares of the Company have been listed on the Main Board since 12th December, 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company and its subsidiary are to hold investments for medium to long-term capital appreciation purposes.

An analysis of the Group's turnover and contribution to profit before taxation is set out in note 3 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 19.

The Directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

SHARE CAPITAL

Details of movements in the authorised and issued share capital of the Company during the year are set out in note 15 to the financial statements.

RESERVES

Details of movements during the year in the reserves of the Company and the Group are set out in note 16 to the financial statements.

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DIRECTORS

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

Executive Directors:

Mr. Chiou, Jerry	
Mr. Chen Cheng-hsiung	
Mr. Chou Ping-chun, Benji	(appointed on 3rd October, 2000)
Mr. Tai Chi Ching	(appointed on 25th May, 2001)
Mr. Wu Chao Yuan	(resigned on 3rd October, 2000)

Independent Non-executive Directors:

Mr. Lin, Jack	(appointed on 3rd October, 2000)
Mr. Chan, Gordon	(appointed on 3rd October, 2000)

In accordance with Articles 118 and 152 of the Company's Articles of Association, Mr. Chou Ping-chun, Benji, Mr. Tai Chi Ching, Mr. Lin, Jack and Mr. Chan, Gordon will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Mr. Chiou, Jerry, Mr. Chen Cheng-hsiung and Mr. Chou Ping-chun, Benji have entered into a service contract with the Company for an initial term of three years which commenced on 3rd October, 2000 and continues thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

The term of office of each of the independent non-executive directors is the period up to his retirement by rotation as required by the Company's Articles of Association.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiary which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

None of the Directors or their respective associates had any interests in any securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), and none of the Directors or chief executives, nor 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.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or its subsidiary a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company:

Name of shareholders	Number of ordinary shares held
Taiwan International Capital (HK) Limited <i>(Note)</i>	47,568,000
HKSCC Nominees Limited	40,294,000
Harmony Asset Limited	30,000,000
Haywood Investments Limited	30,000,000
Tonlin Department Store Co. Ltd.	23,442,000
Unitech Printed Circuit Board Corp.	23,310,000

Note: Taiwan International Capital (HK) Limited is a wholly-owned subsidiary of TIS Taiwan International Securities (HK) Limited in which Mr. Jerry Chiou is a director. TIS Taiwan International Securities (HK) Limited has changed its name to TIS Securities (HK) Limited on 18th April, 2001.

Other than as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st March, 2001.

DIRECTORS' INTEREST IN CONTRACTS

No contract of significance to which the Company or any of its subsidiary 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.

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CONNECTED TRANSACTIONS

Pursuant to an agreement dated 27th November, 2000, the Company has appointed AVANTA Investment (International) Limited ("AVANTA Investment") as its investment manager with effect from 28th April, 2000. A director of the Company, Mr. Jerry Chiou, is also a director of AVANTA Investment. Pursuant to the agreement, AVANTA Investment will be entitled to a monthly fee at 1.5% per annum of the net asset value of the Group of the preceding month and an annual performance fee equivalent to 10% of the surplus in net asset value (with appropriate adjustment) over a financial year as defined in the investment management agreement. During the year, the Company paid a management fee amounting to approximately HK\$844,000 to AVANTA Investment. In the opinion of the independent non-executive directors, the payment of management fee was:

- (i) in the ordinary and usual course of the Company's business and was in accordance with the terms of the relevant agreement;
- (ii) on normal commercial terms and on an arm's length basis; and
- (iii) fair and reasonable so far as the shareholders of the Company are concerned.

In addition, pursuant to a subscription agreement dated 24th October, 2000 entered into between the Company and IT Star Holdings Limited ("IT Star Holdings"), a wholly-owned subsidiary of Harmony Asset Limited which had an interest of 14.52% in the share capital of the Company at 31st March, 2001, the Company subscribed for 5% convertible fixed interest bond which is due on 8th December, 2002 issued by IT Star Holdings in the principal amount of HK\$5,000,000. The full principal amount of the bond is to be converted automatically into 5,500,000 fully-paid shares at HK\$0.10 each, which fully paid shares shall be equivalent to 2.75% of the issued share capital of IT Star Holdings at the time of conversion as enlarged by the allotment. IT Star Holdings is principally engaged in investment holding. Its wholly-owned subsidiary, IT Star Limited, holds a portfolio of technology-driven business.

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

During the year, neither the Company nor any of its subsidiary purchased, sold or redeemed any of the Company's listed shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Article of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

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CORPORATE GOVERNANCE

Save that the non-executive directors of the Company are not appointed for a specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association, the Company has complied throughout the period between its listing on 12th December, 2000 and 31st March, 2001 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

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

On behalf of the Board

Jerry Chiou
Executive Director

Hong Kong, 19th July, 2001