

The directors present their report together with the audited accounts of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries, associated companies and jointly controlled entity of the Company are set out in notes 30, 31 and 15 to the accounts.

An analysis of the Group's turnover and contribution to the operating loss for the year ended 31 March 2001 by principal markets and activities are set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2001 are set out in the Consolidated Profit and Loss Account on page 48.

No interim dividend was declared (2000: Nil) and the directors do not recommend the payment of a final dividend for the year ended 31 March 2001 (2000: Nil).

PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITY

Particulars of the principal subsidiaries, associated companies and jointly controlled entity are set out in notes 30, 31 and 15 to the accounts.

SHARE CAPITAL AND SHARE OPTIONS

Movements in share capital during the year and details of share options are set out in note 22 to the accounts.

RESERVES

Movements in reserves during the year of the Group and the Company are set out in note 23 to the accounts.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during the year are set out in note 12 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties held for sale and for investment purposes are set out on page 91.

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:

Purchases

- | | |
|-----------------------------------|-----|
| - the largest supplier | 28% |
| - five largest suppliers combined | 66% |

Sales

- | | |
|-----------------------------------|-----|
| - the largest customer | 9% |
| - five largest customers combined | 26% |

New World BioSciences Co. Limited, one of the five largest customers, is an indirect wholly-owned subsidiary of New World Development Company Limited which is a substantial shareholder of the Company.

beenz.com (Greater China) Limited, one of the five largest suppliers, is 45% owned by the Company.

Save as aforesaid, none of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers or customers.

GROUP FINANCIAL INFORMATION

A summary of results, assets and liabilities of the Group for the five years ended 31 March 2001 is set out on page 90.

DIRECTORS

The directors of the Company during the year and up to the date of this report are as follows:

Cheng Kar Shun, Henry (*Chairman*)

Lo Lin Shing, Simon (*Deputy Chairman*)

Doo Wai Hoi, William (*Deputy Chairman*)

Yvette Ong (*Managing Director and CEO*)

Chan Kwok Keung, Charles

Chan Wing Tak, Douglas

Lau Ko Yuen, Tom

Wong Chi Chiu, Albert

To Hin Tsun, Gerald

Peter Pun*

Wei Chi Kuan, Kenny* (appointed on 17 October 2000)

Tsang Cheung, Peter (resigned on 30 November 2000)

Peter Yip (retired on 22 September 2000)

* *Independent non-executive directors*

In accordance with the bye-laws of the Company, Dr. Chan Kwok Keung, Charles, Mr. Chan Wing Tak, Douglas, Mr. To Hin Tsun, Gerald and Mr. Wei Chi Kuan, Kenny will retire at the forthcoming annual general meeting. Dr. Chan Kwok Keung, Charles did not seek for re-election while Mr. Chan Wing Tak, Douglas, Mr. To Hin Tsun, Gerald and Mr. Wei Chi Kuan, Kenny, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2001, none of the directors and chief executive of the Company had any interests in the securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register kept by the Company under 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 in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2001, the following persons (other than the directors or chief executive of the Company) had an interest of 10% or more of the issued share capital of the Company according to the register of substantial shareholders kept by the Company under section 16(1) of the SDI Ordinance :

Name of shareholders	Number of shares held
New World CyberBase Nominee Limited ("NWCN")	1,320,000,000 <i>(Note 1)</i>
New World Telephone Holdings Limited ("NWTH")	1,334,086,000 <i>(Note 2)</i>
New World Development Company Limited ("NWD")	1,334,086,000 <i>(Note 2)</i>
Chow Tai Fook Enterprises Limited ("CTFEL")	1,334,086,000 <i>(Note 2)</i>

Notes:

1. NWCN was a wholly-owned subsidiary of NWTH which, in turn, was a subsidiary of NWD. CTFEL owned more than one third of the issued share capital of NWD. Accordingly, CTFEL, NWD and NWTH were deemed to be interested in 1,320,000,000 shares held by NWCN.
2. This interest represented the aggregate deemed interests in 1,320,000,000 shares held by NWCN and 14,086,000 shares held by another subsidiary of NWTH.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions" herein, no contracts of significance in relation to the Group's businesses 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' INTERESTS IN COMPETING BUSINESSES

As at 31 March 2001, the following directors are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group for the purpose of Rule 8.10 of the Listing Rules as set out below:

Name of director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Lo Lin Shing, Simon	Asia Logistics Technologies Limited and its subsidiaries	Provision of e-commerce supply-chain solutions and logistics services	Director
Yvette Ong	Asian Information Resources (Holdings) Limited and its subsidiaries	Provision of Internet content and e-commerce solutions	Non-executive director
Chan Kwok Keung, Charles	Hanny Holdings Limited and its subsidiaries	Strategic investment in IT-related business	Chairman and substantial shareholder
	Paul Y. – ITC Construction Holdings Limited and its subsidiaries	Property investment in Hong Kong	Chairman and substantial shareholder
	China Strategic Holdings Limited and its subsidiaries	Property investment in Hong Kong	Chairman and substantial shareholder
	Star East Holdings Limited and its subsidiaries	Property investment in Hong Kong	Substantial shareholder
Chan Wing Tak, Douglas	chinadotcom corporation	Provision of Internet services that build e-business strategies and solutions and distribute content via its portal network	Director
	hongkong.com corporation	Operating portal network	Non-executive director

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

Name of director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Lau Ko Yuen, Tom	Cyber Business Network (Singapore) Pte. Ltd.	Provision of web-enabled solutions and services	Director
	Paul Y. – ITC Construction Holdings Limited and its subsidiaries	Property investment in Hong Kong	Director
	China Strategic Holdings Limited and its subsidiaries	Property investment in Hong Kong	Director

Notes:

- The interests of Dr. Cheng Kar Shun, Henry as a director of New World PCS Limited, New World Telephone Limited, New World PCS Holdings Limited and New World Telephone Holdings Limited, which are engaged in the provision of fixed telecommunications network services and PCS services including e-commerce services, no longer constitute competing businesses with that of the Group following the disposal of the PowerPhone business by the Group in November 2000.
- Dr. Chan Kwok Keung, Charles resigned as a director of abc Multiactive Limited, which provides e-commerce and Customer Relationship Management solutions, and Asia Logistics Technologies Limited, which provides e-commerce supply-chain solutions and logistics services, with effect from 13 November 2000 and 9 December 2000 respectively.
- Mr. Chan Wing Tak, Douglas resigned as a director of Skynet (International Group) Holdings Limited, which operates websites providing local and foreign news, financial information, commentaries, and entertainment and computer games, with effect from 1 March 2001.
- Mr. Lau Ko Yuen, Tom resigned as a director of China Strategic Holdings Limited but was appointed as an alternate director with effect from 10 July 2001.

As the board of directors of the Company is independent from the board of the aforesaid companies and none of the above directors can control the board of the Company, the Group is capable of carrying its businesses independently of, and at arms length from the businesses of such companies.

DIRECTORS' SERVICE CONTRACTS

None of the directors has service contract with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 March 2001, the following directors of the Company had personal interests in share options entitling them to subscribe for shares of HK\$0.02 each in the capital of the Company under the share option scheme of the Company:

Name of director	Date of grant	Exercise price	Number of shares subject to options exercisable under the share option scheme of the Company
Cheng Kar Shun, Henry	17.8.1999	HK\$0.5664	25,000,000
Lo Lin Shing, Simon	17.8.1999	HK\$0.5664	25,000,000
Doo Wai Hoi, William	17.8.1999	HK\$0.5664	8,000,000
Yvette Ong	17.8.1999	HK\$0.5664	5,000,000
	22.7.2000	HK\$0.3592	4,000,000
Chan Wing Tak, Douglas	17.8.1999	HK\$0.5664	5,000,000
Wong Chi Chiu, Albert	17.8.1999	HK\$0.5664	3,000,000

The above share options are exercisable during the option period of three years from their respective dates of grant subject to certain restrictions as contained in their respective offer letters.

During the year, share options to subscribe for 8,000,000 shares of the Company granted to Mr. Tsang Cheung, Peter lapsed due to his resignation as director of the Group.

No share options were exercised during the year.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any other arrangements to enable the directors or chief executive or any of their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, its subsidiaries or any other body corporate.

CONNECTED TRANSACTIONS

- (1) During the year, New World CyberBase (H.K.) Limited ("NWCBHK"), a former wholly-owned subsidiary of the Company, purchased hardware and related software development for the PowerPhone from PowerPhone Network Limited (formerly "Imagic Infomedia Technology Limited") ("PPN") and engaged Infa Telecom Asia Limited ("Infa Telecom") to provide installation related services of such purchases. Mr. Tsang Cheung, Peter, a former director of the Company, and/or his associates beneficially own the entire issued share capital in each of PPN and Infa Telecom.

During the year, total purchases from PPN and installation fees paid to Infa Telecom amounted to HK\$918,562 and HK\$88,249 respectively.

- (2) Pursuant to a service agreement dated 19 June 1999, New World Telephone Limited ("NWT"), a wholly-owned subsidiary of NWTTH, agreed to provide certain services to the Group which included provision of office space, general and administrative and accounting services, repair and maintenance services, professional expenses and other office facilities. Under the agreement, the Group would reimburse NWT the costs and expenses incurred for the provision of these services.

During the year, total service fees paid to NWT amounted to HK\$2,291,798.

- (3) During the year, NWT and New World PCS Limited ("NWPCS") purchased advertising time on the PowerPhone from the Interactive Multimedia Communication Operation ("IMCO"). NWPCS is a wholly-owned subsidiary of NWTTH. The advertising rate and other terms offered to NWT and NWPCS are commensurate with those offered to independent third parties of a similar advertising volume.

During the year, total advertising income received from NWT and NWPCS amounted to HK\$63,250 and HK\$63,250 respectively.

- (4) Pursuant to the "Regulation of Payphone Services in Hong Kong" dated 25 April 1997 issued by the Telecommunications Authority, NWT are required to provide toll free services operated by other fixed telecommunications network service licensees without the need for the relevant calling card holders to deposit coins prior to making a call. The IMCO is entitled to charge an amount of HK\$1.00 for every five minutes, being the standard retail payphone rate, used on the payphones from the relevant calling card services operator. A card access fee was charged to NWT when the holders of NWT's calling cards use the PowerPhone with such card.

During the year, total card access fees charged to NWT amounted to HK\$530,224.

CONNECTED TRANSACTIONS *(Continued)*

The Company had been granted a waiver by the Stock Exchange from the strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of transactions (1) to (4) above which constituted connected transactions as defined in the Listing Rules. The transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions were:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms and fair and reasonable so far as the shareholders of the Company are concerned; and
- (c) within the amount as agreed with the Stock Exchange.

On 9 November 2000, the Group announced to dispose of its PowerPhone business through the sale of the entire issued share capital of NWCBHK. The disposal was completed on 20 December 2000 and after completion, NWCBHK ceased to be a subsidiary of the Company and its name had subsequently been changed to INFA Telemedia Hong Kong Limited. Accordingly, the above transactions no longer constitute connected transactions for the Company and the waiver is no longer applicable since then.

- (5) As disclosed in an announcement of the Company dated 15 February 2000, NWCBHK entered into the following tenancies:
 - (a) a tenancy with New World Tower Company Limited ("NWTC"), a subsidiary of NWD, to lease the premises situated at 36th and 37th Floors, New World Tower, 16-18 Queen's Road Central, Hong Kong for a period of three years commencing from 15 February 2000 at a total monthly rental of HK\$395,500 (exclusive of rates, management fees and air-conditioning charges).
 - (b) a tenancy with Global Winner Limited ("GWL"), which is 50% owned by NWD, to lease the premises situated at Units 4-12, 18th Floor, World Peace Centre, 55 Wo Tong Tsui Street, Kwai Chung, New Territories for a period of two years commencing from 16 February 2000, with an option to renew for further two years, at an initial monthly rental of HK\$61,578 (exclusive of rates, management fees and air-conditioning charges).
 - (c) a tenancy with GWL to lease the premises situated at 19th Floor, World Peace Centre, 55 Wo Tong Tsui Street, Kwai Chung, New Territories for a period of three years commencing from 16 February 2000, with an option to renew for further three years, at an initial monthly rental of HK\$80,952 (exclusive of rates, management fees and air-conditioning charges).
 - (d) a tenancy with NWTC to lease the premises situated at Room 1103, New World Tower, 16-18 Queen's Road Central, Hong Kong at monthly rental of HK\$21,420 (exclusive of rates, management fees and air-conditioning charges) on monthly renewal basis until terminated at any time by mutual agreement.

CONNECTED TRANSACTIONS *(Continued)*

During the year, NWCBHK also entered into a tenancy agreement with GWL to lease the premises situated at Units 1-3, 18th Floor, World Peace Centre, 55 Wo Tong Tsui Street, Kwai Chung, New Territories for a period of eighteen months and twenty-six days commencing from 21 July 2000 to 15 February 2002, with an option to renew for further two years, at an initial monthly rental of HK\$19,374 (exclusive of rates, management fees and air-conditioning charges).

The tenancy under item (d) above was terminated with effect from 1 November 2000.

In contemplation of the disposal of NWCBHK as announced by the Company on 9 November 2000, the Group had undergone a reorganisation (the "Reorganisation") so that the only assets, liabilities, contracts and business of NWCBHK would be related to the PowerPhone business. As part of the Reorganisation, all the rights, title, benefit, interest, liabilities and obligations of NWCBHK under the aforesaid tenancies had been assigned and transferred to New World CyberBase (Greater China) Limited, a wholly-owned subsidiary of the Company, with effect from 31 October 2000.

During the year, the total rental expenses (inclusive of management fees and air-conditioning charges) paid by the Group to NWTC and GWL amounted to HK\$5,843,914 and HK\$2,591,823 respectively.

Pursuant to a sale and purchase agreement dated 12 June 2001 regarding the sale of data centre assets as described in item (10) below, the tenancies in respect of the premises situated at 19th Floor and Units 1-3 on the 18th Floor of World Peace Centre, 55 Wo Tong Tsui Street, Kwai Chung, New Territories had been assigned and transferred to NWT with effect from 19 June 2001.

- (6) On 28 February 2000, Cyber China Inc. ("Cyber China"), a 50/50 jointly controlled entity formed by Marrick Holding Limited ("Marrick"), a wholly-owned subsidiary of the Company, and Positive View Limited ("Positive View"), a subsidiary of New World China Land Limited which is a subsidiary of NWD, entered into a conditional agreement for the acquisition of 27.9% interest in PRC Youth Holdings Limited at a consideration of HK\$300,000,000. The acquisition was financed by way of shareholders' loans provided by Positive View and Marrick in proportion with their shareholding in Cyber China and was satisfied as to HK\$150,000,000 in cash provided by Positive View and the remaining HK\$150,000,000 by Marrick procuring the allotment of 90,909,091 new shares of the Company at an issue price of HK\$1.65 per share on 23 May 2000.

On 2 March 2000, a shareholders' loan of HK\$3,750,000 was advanced by Marrick to Cyber China to finance the acquisition of shares in a company made by Cyber China.

The aggregate shareholders' loans advanced by the Group to Cyber China amounted to HK\$153,750,000 and were made in proportion with the shareholding of Marrick in Cyber China and were unsecured, interest free and repayable on demand.

CONNECTED TRANSACTIONS *(Continued)*

- (7) During the year, the Group had advanced HK\$45,353,417 in aggregate to Darierian Worldwide Limited, a 51% owned subsidiary of the Company, as working capital. Except for an amount of HK\$19,220,000 which carried interest at 5% per annum, the shareholder's loans were unsecured, interest free and repayable on demand.
- (8) During the year, the Group had advanced HK\$4,279,857 in aggregate to Cyber Datalive Limited ("Cyber Datalive"), a 85% owned subsidiary of the Company, as working capital. Mr. Chan See Yan, Billy, a director of Cyber Datalive, is beneficially interested in the remaining 15% equity interest of Cyber Datalive. The shareholder's loans were made in proportion to the Group's equity interest in Cyber Datalive and were unsecured, interest free and repayable on demand.
- (9) On 14 September 2000, NWC BHK entered into a portal development and implementation agreement (the "Portal Development Agreement") with New World BioSciences Co. Limited ("NW BioSciences"), an indirect wholly-owned subsidiary of NWD, pursuant to which NWC BHK agreed to create, develop, implement and integrate a website known as "Fulintang" portal which offers online services including multimedia content publishing, online shopping facilities, membership registration, member community services and other web functions for NW BioSciences at a consideration of HK\$4,484,388.

On the same date, New World CyberBase Solutions (HK) Limited (formerly "buzyDOCK Limited") ("NWCBS"), a wholly-owned subsidiary of the Company, entered into a service contract with NW BioSciences pursuant to which NWCBS agreed to provide facility management and networking services to NW BioSciences in connection with the operation of the "Fulintang" portal for two years at a monthly fee of HK\$31,150.

Pursuant to the Reorganisation, NWC BHK had transferred all its rights, title, benefit, interest, liabilities and obligations under the Portal Development Agreement to NWCBS by a novation agreement dated 31 October 2000. During the year, the income in respect of the Portal Development Agreement received by NWCBS was HK\$3,817,306.

- (10) On 12 June 2001, NWCBS entered into a sale and purchase agreement with NWT pursuant to which NWCBS agreed to sell certain network infrastructure, system and equipment in relation to the data centre business of the Group to NWT at a consideration of HK\$7,962,272.
- (11) On 9 July 2001, the Company entered into a conditional sale and purchase agreement with Marginal Gain Profits Limited ("Marginal Gain"), a wholly-owned subsidiary of NWD, pursuant to which the Company agreed to sell to Marginal Gain the entire issued share capital of Bostar Limited and Hitech Logistics Limited at a total consideration of US\$2,000,001.

GROUP BORROWINGS

Details of the Group's borrowings are set out in note 21 to the accounts.

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company was incorporated.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in the Appendix 14 to the Listing Rules throughout the year.

The audit committee of the Company currently comprises Messrs. Peter Pun and Wei Chi Kuan, Kenny who are independent non-executive directors of the Company and their principal duties include the review and supervision of the Company's financial reporting process and internal control. Two meetings were held during the current financial year.

EMPLOYEES SCHEMES

As at 31 March 2001, the Group employed over 200 full-time employees mainly in Hong Kong and Mainland China. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective countries and businesses in which the Group operates. The remuneration policies of the Group are reviewed on periodic basis. Apart from pension funds, year-end bonuses and share options are awarded to the employees according to the assessment of individual performance and industry practice. Structured training programs are also offered for staff training and development.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

As at 31 March 2001, the Group had advances and guarantee toward the affiliated companies in a total sum of HK\$329 million which exceeds 25% of the Group's net assets. A pro-forma combined balance sheet of these affiliated companies and the Group's attributable interest in these companies as at 31 March 2001 are presented below:

	Unaudited pro-forma combined balance sheet	Group's attributable interest
	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	385,883	77,177
Other non-current assets	37,889	7,716
	423,772	84,893
Current assets		
Properties held for sale	352,814	70,563
Accounts receivable, prepayments and other deposits	42,269	13,194
Amounts due from fellow subsidiaries	44,728	8,946
Cash and bank balances	40,575	8,115
Other current assets	38,117	7,623
	518,503	108,441
Current liabilities		
Creditors, deposits and accruals	55,336	15,807
Current portion of long term loans	17,383	3,477
Amounts due to group companies	492,093	190,909
Other current liabilities	76,758	15,352
	641,570	225,545
Net current liabilities	(123,067)	(117,104)
Total assets less current liabilities	300,705	(32,211)
Non-current liabilities		
Long term loans	140,598	28,120
Net assets/(liabilities)	160,107	(60,331)
CAPITAL AND RESERVES		
Share capital	45,426	9,085
Reserves	114,681	(69,416)
	160,107	(60,331)

SUBSEQUENT EVENTS

Details of the significant events occurring after the balance sheet date are set out in note 28 to the accounts.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. PricewaterhouseCoopers replaced Price Waterhouse as auditors of the Company following the merger of Price Waterhouse with Coopers & Lybrand.

On behalf of the Board

Cheng Kar Shun, Henry

Chairman

12 July 2001