

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal activities consisted of property investment and development, development and provision of Internet content and application services such as financial information and industry specific content in the People's Republic of China (the "PRC"). During the year, the Group diversified into the manufacture and marketing of consumer electronic products.

TURNOVER

An analysis of the Group's turnover and profit/(loss) from operations for the year ended 31 March 2001 by principal activity and geographical location of operations is as follows:

By activity:

	Turnover <i>HK\$'000</i>	Profit/(Loss) from operations <i>HK\$'000</i>
Continuing operations		
Operation of web sites and related services	65,678	(26,776)
Property sales	36,322	(2,556)
Property investment	3,512	(5,963)
Provision of electronic manufacturing services	212,039	(68,255)
Sales of consumer electronic products	96,975	(59,180)
Sales of securities	29,632	3,384
Sales of telecommunication products	40,312	(18,199)
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	484,470	(177,545)
Other revenue	-	35,938
Gain on partial disposal of subsidiaries	-	164,630
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	484,470	23,023
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By geographical location:

	Turnover <i>HK\$'000</i>
Europe	91,803
Hong Kong, SAR	68,425
The PRC (other than Hong Kong)	65,677
United States of America and Canada	31,720
Others	226,845
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	484,470
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RESULTS

The Group's profit for the year ended 31 March 2001 and the state of affairs of the Company and the Group as at that date are set out in the accompanying financial statements on pages 21 to 77.

The Directors do not recommend the declaration of the payment of a final dividend for the year ended 31 March 2001 (2000: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 20 September 2001 to Wednesday, 26 September 2001, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for voting at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrar, Abacus Share Registrars Limited, 2401 Prince's Building, Central, Hong Kong (as from 10 September 2001, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong) not later than 4:00 p.m. on Wednesday, 19 September 2001.

COMPARATIVE FINANCIAL INFORMATION

The consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the Group's published audited financial statements, are set out below:

Results

	Year ended 31 March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Net profit/(loss) attributable to shareholders	<u>15,677</u>	<u>47,987</u>	<u>(385,875)</u>	<u>(451,804)</u>	<u>(78,473)</u>

Assets and liabilities

	31 March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Total assets	<u>3,355,509</u>	<u>2,264,826</u>	<u>2,074,917</u>	<u>1,724,501</u>	<u>1,952,413</u>
Total liabilities and minority interests	<u>(1,478,774)</u>	<u>(481,033)</u>	<u>(1,349,087)</u>	<u>(1,602,184)</u>	<u>(1,402,651)</u>
Net assets	<u>1,876,735</u>	<u>1,783,793</u>	<u>725,830</u>	<u>122,317</u>	<u>549,762</u>

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 11 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 12 to the financial statements.

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Company's and the Group's associates and the Group's jointly controlled entities are set out in notes 13 and 14 to the financial statements, respectively.

BORROWINGS

Details of borrowings of the Company and the Group are set out in note 24 to the financial statements.

SHARE CAPITAL AND SHARE PREMIUM

Details of movements in the share capital and share premium of the Company during the year, together with the reasons therefor, are set out in notes 27 and 28 to the financial statements, respectively.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2001, the Company had no reserves available for distribution to shareholders of the Company as computed under the provisions of Section 79B of the Companies Ordinance. However, the Company's share premium account with a balance of HK\$472,736,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to the five largest customers and purchases from the five largest suppliers for the year ended 31 March 2001 accounted for less than 30% of the Group's total turnover and purchases, respectively, for the year.

DIRECTORS' REMUNERATION

	<i>HK\$'000</i>
Fees:	
Executive directors	–
Non-executive directors	–
Independent non-executive directors	–
Other emoluments paid and payable to executive directors:	
Basic salaries, housing, other allowances and benefits in kind	4,020
Pension scheme contributions	92
	<u>4,112</u>

The number of directors whose remuneration fell within the bands set out below is as follows:

	Number of directors
HK\$Nil – HK\$1,000,000	7
HK\$1,000,001 – HK\$1,500,000	1
HK\$2,000,001 – HK\$2,500,000	1
	<u>9</u>

There were no arrangements under which a director waived or agreed to waive any remuneration.

EMPLOYEE COSTS

The five highest paid individuals included two executive directors, details of whose remuneration are set out above. The remuneration of the remaining three non-director, highest paid individuals was analysed and fell within the band as set out below.

	<i>HK\$'000</i>
Basic salaries, housing allowances	3,599
Pension scheme contributions	151
	<u>3,750</u>

The remuneration paid to each of the three non-director, highest paid individuals fell within the band of HK\$1,000,001 to HK\$1,500,000.

PENSION COSTS

Before 1 December 2000, the Group operates a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong which provides retirement benefits to participating employees of the Group. The assets of the ORSO Scheme are held separately from those of the Group in an independently administered fund. Contributions are made by the Group based on 5-10% of the participating employees' salaries and are charged to the consolidated income statement as they become payable. When an employee leaves the ORSO Scheme prior to his/her interest in the employer's contributions vesting fully, the ongoing contribution under the ORSO Scheme payable by the Group may be reduced by the relevant amount of forfeited contributions.

Effective 1 December 2000, a new MPF Scheme (the "MPF Scheme") was set up under the Mandatory Provident Fund Scheme Ordinance to replace the ORSO Scheme. Under the MPF Scheme, both eligible employees and the Group are required to make monthly contribution equivalent to 5% of eligible employees' relevant income with a maximum monthly contribution of HK\$1,000 for each of the employees and the Group.

Contributions to the ORSO Scheme and the MPF Scheme charged to the consolidated income statement for the year amounted to HK\$752,000 (2000: HK\$1,576,000). Forfeited contributions in respect of the ORSO Scheme is approximately HK\$255,000 (2000: HK\$139,000). As at 31 March 2001, the amount of forfeited contributions available to the Group to reduce its contributions in future years was nil (2000: HK\$6,000). In addition to the above, South Sea Holding Company Limited, a subsidiary of the Company newly acquired in September 2000, operates both ORSO and MPF schemes. The contributions to the ORSO and the MPF schemes charged to the consolidated income statement for the period amounted to HK\$546,000. Forfeited contributions in respect of the ORSO Scheme is approximately HK\$347,000.

DIRECTORS

The directors of the Company during the year were:

Executive Directors

Mr. YU Pun Hoi (*Chairman*)
Mr. ZHANG Hong Ren
Mr. LAM Bing Kwan

Non-executive Directors

Mr. LI Shilin
Mr. LUO Ning
Mr. SUN Yalei
Mr. WONG Wai Ming*
Mr. Francisco P. ACOSTA*

* Independent non-executive directors

In accordance with article 94 of the Company's articles of association, Mr. Li Shilin and Mr. Francisco P. Acosta retire as directors of the Company. Mr. Li Shilin and Mr. Francisco P. Acosta, being eligible, offers themselves for re-election.

DIRECTORS' INTERESTS IN EQUITY AND DEBT SECURITIES

At 31 March 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations as required to be recorded in the Register of Directors' Interests maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of ordinary shares held			Total Interest
	Personal Interest	Corporate Interest	Family Interest	
Mr. Yu Pun Hoi	-	1,458,325,316	50,000,000	1,508,325,316
Mr. Zhang Hong Ren	504,000	-	-	504,000
Mr. Lam Bing Kwan	-	-	-	-
Mr. Li Shilin	-	-	-	-
Mr. Luo Ning	-	-	-	-
Mr. Sun Yalei	-	-	-	-
Mr. Wong Wai Ming	1,000,000	10,000,000	-	11,000,000
Mr. Francisco P. Acosta	-	-	-	-

The directors' interests in share options of the Company are disclosed in the section "Directors' Rights to Acquire Shares or Debentures" below.

Apart from the foregoing, none of the directors or their associates had any interests in the equity and debt securities of the Company or its associated corporations as defined in the SDI ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors and no option was exercised during the year, the details of which are as follows:

Name of director	Number of share options outstanding at as 1 Apr 2000	Number of share options granted during the year	Number of share options outstanding at end of year	Exercise period of share options	Exercise price of share options HK\$
Yu Pun Hoi	1,296,000	-	1,296,000	1-2-00 to 31-1-03	0.50
	1,296,000	-	1,296,000	1-2-01 to 31-1-03	0.50
	1,728,000	-	1,728,000	1-2-02 to 31-1-03	0.50
Zhang Hong Ren	504,000	-	504,000	1-2-01 to 31-1-03	0.50
	672,000	-	672,000	1-2-02 to 31-1-03	0.50
Lam Bing Kwan	-	5,000,000	5,000,000	1-11-00 to 31-10-01	0.50
	612,000	-	612,000	1-2-01 to 31-1-03	0.50
	816,000	-	816,000	1-2-02 to 31-1-03	0.50
	<u>6,924,000</u>		<u>11,924,000</u>		

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their associates, respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, the following parties with interests representing 10% or more of the Company's issued share capital were recorded in the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Notes	Number of ordinary shares held
Rosewood Assets Limited	1	628,333,000
Pippen Limited	1	579,275,668
Actinna Development Limited	1	579,275,668
Mr. Yu Pun Hoi	1	1,508,325,316
Staverley Assets Limited	2	600,000,000
Elstrong Limited	2	600,000,000
Citic Guoan Group Company Ltd.	2	600,000,000

Notes:

1. Pippen Limited was a wholly-owned subsidiary of Actinna Development Limited, which in turn was wholly-owned by Mr. Yu. Pippen Limited's interest in the Company was included as part of the interest held by Actinna Development Limited and Mr. Yu.

Rosewood Assets Limited is wholly-owned by Mr. Yu. Rosewood Assets Limited's interest in the Company is included as part of the interest held by Mr. Yu.
2. Staverley Assets Limited was wholly-owned by Elstrong Limited, which was in turn wholly-owned by Citic Guoan Group Company Ltd. Staverley Assets Limited's interest in the Company was included as part of the interest held by Elstrong Limited and Citic Guoan Company Ltd.

Apart from the foregoing, at 31 March 2001, no shareholder had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group had material transactions in the normal course of business with certain related companies. Details of these transactions are set out in note 35 to the financial statements. Mr. Yu Pun Hoi and Mr. Lam Bing Kwan are interested in these transactions to the extent that they have direct and indirect beneficial interests in some of these companies. Mr. Li Shilin also hold directorships in some of these companies. In addition, Mr. Yu has interests in contracts for the issue of convertible notes as discussed above.

Apart from the foregoing, no director had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Executive Directors

Mr. Yu Pun Hoi, aged 43, is the Chairman of the Company. Mr. Yu has extensive experience in media and Internet investment and operation, development and management of residential and commercial properties. He is also very experienced in cable television operation. He founded the first 24 hours global Chinese satellite television news network in 1994. He was a director of the Company from October 1991 to October 1994 and joined the Board again in January 1997.

Mr. Zhang Hong Ren, aged 49, joined the Board in 1999. Mr. Zhang has been involved in the media and computer technology industries since 1991. He joined the Company in 1999 as project director and has been appointed as the Chief Executive Officer of the Company in 2000.

Mr. Lam Bing Kwan, aged 51, joined the Board in 1991. He is actively involved in the Group's contracting and project management businesses. He has been in senior management positions in the banking and financial industry for more than 10 years.

Non-executive Directors

Mr. Li Shilin, aged 51, is a Director of China International Trust and Investment Corporation, Chairman and General Manager of CITIC Guoan Company Limited and Chairman of CITIC Guoan Information Industry Co., Ltd. He has been a non-executive director of the Company since November 1998. Mr. Li is also a director of CITIC Pacific Limited.

Mr. Luo Ning, aged 41, joined the Board in 1999. He is the Vice President of CITIC Guoan Group, Director and General Manager of CITIC Network Management Company Limited and the Director of CITIC Guoan Information Industry Co., Ltd.

Mr. Sun Yalei, aged 32, joined the Board in 1999. He is the Director and the General Manager of CITIC Guoan Information Industry Co., Ltd.

Independent Non-executive Directors

Mr. Wong Wai Ming, aged 58, was educated in Mainland China and started his own business in Hong Kong in 1978. He is now the President of Sealight Trading Co., Ltd. and the Vice-President of Beijing Scitech Group Co., Ltd. He was appointed as a non-executive director of the Company in October 1997 and redesignated as an independent non-executive director of the Company in October 1999.

Mr. Francisco P. Acosta, aged 54, is a partner of Acosta & Corvera Law Offices in the Philippines. He was formerly a partner of Acosta & Rico Law Offices, Acosta & Associates and Alviar, Acosta & Associates in the Philippines consecutively during the period from 1975 to 1993. Prior to acting as a partner for the law firms mentioned above, Mr. Acosta was the Assistant Attorney and Associate Attorney for Araneta, Mendoza & Papa Law Office and Ablan, Santiago & Associates, respectively. He has been an independent non-executive director of the Company since February 1995.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of related party transactions and connected transactions of the Company and the Group are set out in note 35 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased a total of 1,672,000 shares on The Stock Exchange of Hong Kong Limited. The details of which are as follows:

Month	Number of shares	Price per share		Aggregate Price Paid including transaction cost HK\$'000
		Highest HK\$	Lowest HK\$	
November 2000	1,672,000	0.185	0.175	301

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year covered by the annual report except that non-executive directors are not appointed for a specific terms as recommended in paragraph 7 of Appendix 14. All Directors of the Company are subjected to retirement and rotation requirements in accordance with articles 87 and 94 of the Company's articles of association.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee") in accordance with paragraph 14 of the Code of Best Practice throughout the year. The Committee comprises two independent non-executive directors of the Company.

The Committee has adopted specific terms of reference which clearly state its authorities and duties. The principal duties of the Committee include the review of the Group's financial reports and internal controls.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Company and the Group are set out in note 38 to the financial statements.

AUDITORS

During the year, Ernst & Young resigned as auditors of the Company and Grant Thornton were appointed as auditors of the Company.

Grant Thornton retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

Lam Bing Kwan
Director

Hong Kong
27 August 2001