

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts for the period from 1st January 2000 to 31st March 2001.

CHANGE OF NAME

Pursuant to a special resolution passed on 21st March 2000, the Company's name was changed from Team Concepts Holdings Limited to Savoy Concepts Limited. Pursuant to another special resolution passed on 8th January 2001, the Company's name was changed from Savoy Concepts Limited to Learning Concepts Holdings Limited. Subsequently, pursuant to another special resolution passed on 30th July 2001, the Company's name was changed to South Sea Holding Company Limited.

CHANGE OF FINANCIAL YEAR-END

The financial year-end of the Group has been changed from 31st December to 31st March.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are the design, manufacturing and marketing of telecommunication and consumer electronic products, and the operation of an education portal and provision of online distance learning education services. The activities of the subsidiaries are set out in note 12 to the accounts. The Group's telecommunication business was discontinued during the period.

An analysis of the Group's turnover and contribution to operating loss for the period by principal activities and markets is set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the period are set out in the consolidated profit and loss account on page 22.

REPORT OF THE DIRECTORS

RESERVES

Movements in the reserves of the Group and the Company during the period are set out in note 26 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 25 to the accounts.

DISTRIBUTABLE RESERVES

At 31st March 2001, the contributed surplus of the Company amounting to HK\$50,010,000 (At 31st December 1999: HK\$50,010,000), is a distributable reserve.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial periods/years is set out as follows:

	Fifteen months ended 31st March 2001 HK\$'000	Year ended		Nine months ended 31st December 1997 HK\$'000	Year ended 31st March 1997 HK\$'000
		31st December 1999 HK\$'000	31st December 1998 HK\$'000		
Turnover	675,396	571,539	557,398	462,601	595,344
Loss after taxation	(630,461)	(75,225)	(11,304)	(39,601)	(87,796)
Interest of minority shareholders	2,000	-	-	-	(5,283)
Loss attributable to the shareholders	(628,461)	(75,225)	(11,304)	(39,601)	(93,079)
Total assets	325,479	359,365	315,359	336,471	465,946
Total liabilities	(351,982)	(387,647)	(299,570)	(309,159)	(407,886)
	(26,503)	(28,282)	15,789	27,312	58,060

REPORT OF THE DIRECTORS

DIRECTORS

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

Mr. YU Pun Hoi (<i>Chairman</i>)	(appointed on 20th September 2000)
Mr. ZHANG Hong Ren	(appointed on 20th September 2000)
Mr. LAM Bing Kwan	(appointed on 20th September 2000)
Dr. ZHAO Liang	(appointed on 20th September 2000)
Mr. NG Kwan Lik *	(appointed on 20th September 2000)
Mr. Francisco P. ACOSTA *	(appointed on 20th September 2000)
Mr. LEE Kam Chuen	(appointed on 2nd May 2000 and resigned on 20th September 2000)
Mr. LIM Siew Choon	(resigned on 20th September 2000)
Mr. CHIN Hon Thatt	(resigned on 20th September 2000)
Mr. Luis Leonardo BRAVO SAMPEDRO	(resigned on 20th September 2000)
Ms. TAN Kewi Yong	(resigned on 20th September 2000)
Mr. CHUA Thian Teck	(resigned on 7th May 2001)
Mr. SLOW Sing Kiow	(resigned on 20th September 2000)
Mr. CHEOK Eu Gene Adrian*	(resigned on 21st August 2001)
Mr. YIP Moon Wah, Stephen*	(resigned on 20th September 2000)
Mr. LU Jihong	(appointed on 2nd May 2000 and resigned on 20th September 2000)

* *independent non-executive Director*

In accordance with Bye-law 99 and 102 of the Company, all the existing Directors retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Group are set out as follows:

Directors

Executive Directors

Mr. YU Pun Hoi, aged 43, is the Chairman of the Company. He has extensive management experience in media and internet technology businesses, and in properties investment and development. Mr. Yu has been with the Group since September 2000. Mr. Yu is also the Chairman of Sino-i.com Limited, a company listed on the Stock Exchange of Hong Kong, the controlling shareholder of the Company.

Mr. LAM Bing Kwan, aged 51, has actively involved in the Group's banking and financial management businesses. He has been in management position in the banking and financial industry for more than 10 years. Mr. Lam has been with the Group since September 2000.

Mr. ZHANG Hong Ren, aged 49, has been in senior and management positions in economic research, media and computer technology industries since 1991. Mr. Zhang has been with the Group since September 2000. Mr. Zhang holds a Master's degree in Economics.

Dr. ZHAO Liang, aged 43, has over 10 years of extensive management experience in banking sector. He holds a Doctorate degree in Economics and an MBA degree. Dr. Zhao has been with the Group since September 2000.

Independent Non-executive Directors

Mr. NG Kwan Lik, aged 41, has extensive experience in real estate development and other investments and businesses in The People's Republic of China. He has been appointed as an independent non-executive Director of the Company since September 2000.

Mr. Francisco P. ACOSTA, aged 54, is a partner of Acosta & Corvera Law Office in the Philippines, and has pursued his legal profession in the Philippines for eighteen years. He has been appointed as an independent non-executive Director of the Company since September 2000.

Senior Management

Mr. LAM Lo Yan Norris, Chief Executive Officer, aged 48, is mainly responsible for managing the manufacturing business of the Group. Mr. Lam holds a Bachelor degree and an MBA degree. He has over twenty years' experience in the toy industry and has been working for most of the largest players in this field. He has been with the Group since August 2000.

Mr. TSANG Yiu Ho Patrick, Vice President – Operation, aged 39, is mainly in charge of the sales, marketing, quality assurance and shipping operations of the manufacturing business of the Group in Hong Kong. Mr. Tsang holds a Bachelor degree. He has been with the Group since 1991.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

(a) Particulars of shares held by directors

As at 31st March 2001, the interests of Directors and their associates in the equity or debt securities of the Company or any of its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as required to be recorded in the register to be recorded in the register maintained pursuant to Section 29 of the SDI Ordinance were as follows:

Name of Directors	Number of shares of HK\$0.10 each Corporate interests
Mr. Yu Pun Hoi *	4,635,000,000

* Mr. Yu Pun Hoi is beneficially interested in these Shares through his 38.53 per cent. interests in Victorious Limited, a wholly-owned subsidiary of Sino-i.com Limited and Sino-i.com Limited is 38.53 per cent. beneficially owned by Mr. Yu Pun Hoi and his associates.

Save as disclosed above, as at 31st March 2001, none of the Directors or their associates had or were deemed to have interests in any equity or debt securities of the Company or any of its associated corporation as defined in the SDI Ordinance.

(b) Directors' benefits from rights to acquire shares or debentures

The employee share option scheme of the Company, which was adopted on 22nd January 1991, has expired on 21st January 2001.

A new share option scheme (the "Scheme") was adopted at a special general meeting of the Company held on 8th January 2001, under which the Directors may, at their discretion, grant to executive Directors and employees of the Group options to subscribe for the shares in the capital of the Company from time to time within 10 years after adoption of the Scheme. The maximum number of shares may be granted under the Scheme will not exceed such number of shares as shall represent 10% of the issued share capital of the Company from time to time excluding any shares issued pursuant to the Scheme. During the period, no share option has been granted under the Scheme.

Apart from the foregoing, at no time during the period was the Company, its subsidiaries, its holding companies or its fellow subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their respective spouse or children under the age of 18 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

CONNECTED TRANSACTIONS

- (a) Connected party transactions entered into by the Group during the period ended 31st March 2001, required to be disclosed in accordance with Chapter 14 of the Listing Rules, are as follows:
- (i) On 27th June 2000, the Company has entered into a sale and purchase agreement with Savoy TC Limited and Sino-i.com Limited, the Company's ultimate holding company, in relation to the purchase by the Company of the entire issued share capital of Rich King Inc. for a total consideration of HK\$470,000,000 which was satisfied by way of the issue of 4,700,000,000 new shares in the Company at HK\$0.10 each.
 - (ii) On 29th November 2000, the Company has entered into two conditional agreements with Paracorp Berhad, Mr. Lim Siew Choon (the former Chairman and Director of the Company) in relation to settle an indebtedness of HK\$23,368,017.79 owed to Paracorp Berhad by the Company, after netting off the amount of HK\$14,661,000 due from Bellcorp Technology (M) Sdn. Bhd., and a shareholder's loan of HK\$12,181,137.58 owed to Mr. Lim Siew Choon by the Company by way of issuing 173,097,000 shares and 90,230,000 shares in the Company.
 - (iii) On 22nd March 2001, the Company and Sino-i.com Limited have entered into two conditional agreements in respect of acquisitions of direct and indirect interests in properties from Sino-i.com Limited and Independent Vendors (as defined in our circular dated 18th June 2001) at a consideration of HK\$2,417,430,000, which will be satisfied by the issuance of shares in the Company at HK\$0.10 each in the Company; and disposal of Rich King Inc. to Sino-i.com Limited at a consideration of HK\$470,000,000. Sino-i.com Limited is a controlling shareholder of the Company. On 10th May 2001, the Company and Sino-i.com Limited have entered into supplemental agreements as modified and supplemented to the conditional agreements, under which the consideration of disposal of Rich King Inc. was adjusted to HK\$124,000,000.
 - (iv) A management fee, being the reimbursed expenses, of HK\$3,120,000 be paid to Sino-i.com Limited for the period ended 31st March 2001.
- (b) Connected party transactions, which also constitute related party transactions, are disclosed in note 31 to the accounts.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries was a party, and in which any Directors 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.

DIRECTORS' EMOLUMENTS

Details of Directors' emoluments in respect of the period are shown in note 10 to the accounts.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors of the Company has an interest in a business which compete or may compete with the business of the Group.

SUBSTANTIAL SHAREHOLDERS

At 31st March 2001, the register maintained by the Company under Section 16(1) of the SDI Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital:

Name	Number of ordinary shares
Sino-i.com Limited	4,635,000,000
Victorious Limited	4,635,000,000

Note: Victorious Limited is a wholly-owned subsidiary of Sino-i.com Limited and Sino-i.com Limited is 38.53 per cent. beneficially owned by Mr. Yu Pun Hoi and his associates.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's shares during the period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the law in Bermuda.

REPORT OF THE DIRECTORS

SERVICE AND MANAGEMENT CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

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

MAJOR CUSTOMERS AND SUPPLIERS

	31st March 2001	31st December 1999
Sales		
– the largest customer	20%	15%
– five largest customers combined	56%	52%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) were interested in the above customers at any time in the period.

The percentage of purchases attributable to the five largest suppliers combined of the Group was less than 30% of its total purchases during the period.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group's bank loans, overdrafts and other borrowings as at 31st March 2001 are set out in notes 22 and 32 to the accounts.

CODE OF BEST PRACTICE

All of the recommendations and guidelines under the Code of Best Practice as set out in the Listing Rules ("the Code") have been complied with the Company during the period from 1st January 2000 to 31st March 2001 except that Non-executive Directors are not appointed for a specific term as recommended under the Code. All Directors, including the non-executive Directors, are subject to the retirement and rotation requirements in accordance with the Company's Bye-Laws.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company has set up an Audit Committee, of which the members comprise the following:

Mr. Ng Kwan Lik
Mr. Francisco P. Acosta

The objectives of the Audit Committee are to:

- i) maintain an open line of communication between the Board, management and external auditors,
- ii) oversee and appraise the quality of the audits conducted by the external auditors,
- iii) provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the Company's administration, operating and accounting controls.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers.

By order of the Board

LAM Bing Kwan

Director

Hong Kong, 27th August 2001