

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 2002.

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 2002 by principal markets and activities is set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2002 are set out in the Consolidated Profit and Loss Account on page 40.

No interim dividend was declared (2001: Nil) and the directors do not recommend the payment of a final dividend for the year ended 31 March 2002 (2001: Nil).

SHARE CAPITAL AND SHARE OPTIONS

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

RESERVES

Movements in reserves of the Group and the Company during the year 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 are set out on page 85.

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	25%
– five largest suppliers combined	84%

Sales

– the largest customer	15%
– five largest customers combined	47%

Mr. Lo Lin Shing, Simon, a director and a substantial shareholder of the Company, is also a director and substantial shareholder of Tai Fook Securities Group Limited which is the holding company of Tai Fook Information Systems Limited, the largest customer of the Group.

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 2002 is set out on page 84.

DIRECTORS

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

Lo Lin Shing, Simon (<i>Chairman</i>)	
Yvette Ong (<i>Managing Director and CEO</i>)	
Lau Ko Yuen, Tom	
To Hin Tsun, Gerald	
Peter Pun*	
Wei Chi Kuan, Kenny*	
Chan Kwok Keung, Charles	(retired on 29 August 2001)
Cheng Kar Shun, Henry	(resigned on 26 November 2001)
Doo Wai Hoi, William	(resigned on 26 November 2001)
Chan Wing Tak, Douglas	(resigned on 26 November 2001)
Wong Chi Chiu, Albert	(resigned on 26 November 2001)

* *Independent non-executive directors*

In accordance with the bye-laws of the Company, Mr. Lo Lin Shing, Simon and Ms. Yvette Ong will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2002, the interests of the directors and chief executive of the Company 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") were as follows:

Name of director	Nature of interest	Number of shares of the Company
Lo Lin Shing, Simon	Corporate interest	704,086,000 <i>(Note)</i>

Note: These shares were beneficially owned by Best Cyber Limited, a wholly-owned subsidiary of Asia Logistics Technologies Limited, of which more than one-third of the issued share capital was owned by Golden Infinity Co., Ltd., a company beneficially and wholly owned by Mr Lo Lin Shing, Simon.

Save as aforesaid and the interests in share options as disclosed under the section headed "Share Option Schemes", 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 recorded under the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, 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
Best Cyber Limited	704,086,000
Asia Logistics Technologies Limited <i>(Note 1)</i>	704,086,000
Golden Infinity Co., Ltd. <i>(Notes 1 and 2)</i>	704,086,000

Notes:

1. Best Cyber Limited was a wholly-owned subsidiary of Asia Logistics Technologies Limited, of which more than one-third of the issued share capital was owned by Golden Infinity Co., Ltd. Accordingly, Golden Infinity Co., Ltd. and Asia Logistics Technologies Limited were deemed to be interested in 704,086,000 shares held by Best Cyber Limited.
2. Golden Infinity Co., Ltd. was beneficially and wholly owned by Mr. Lo Lin Shing, Simon, a director of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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 2002, 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 pursuant to 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
Yvette Ong	Asian Information Resources (Holdings) Limited and its subsidiaries*	Provision of Internet content and e-commerce solutions	Non-executive director
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	Alternate director

* Ms. Yvette Ong resigned as a non-executive director of Asian Information Resources Holdings Limited with effect from 2 May 2002.

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 business independently of, and at arms length from the business 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

Save as disclosed under the section headed "Share Option Schemes" below, 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.

SHARE OPTION SCHEMES

The Company has established the following share option schemes to provide incentive to the directors and employees of the Group by offering them an opportunity to participate in the growth of the Group:

(a) Expired Scheme

Under the share option scheme of the Company adopted on 24 July 1990 (the "Expired Scheme"), the directors may, at their absolute discretion and subject to such conditions as they may think fit, offer options to any directors, full-time employees and consultants of the Company or its subsidiaries to subscribe for the shares of the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options.

The maximum number of shares in respect of which options may be granted under the Expired Scheme shall not exceed 10% of the issued share capital of the Company at the time of granting of the options excluding any shares issued upon exercise of the options. No participant shall be granted options to subscribe for such number of shares which in aggregate would exceed 25% of the total number of shares for which options may be granted under the Expired Scheme.

The participants may exercise the options during the option period of 3 years from the date of grant of options, subject to a vesting schedule as may have been determined by the directors.

SHARE OPTION SCHEMES (Continued)

(a) Expired Scheme (Continued)

The Expired Scheme has expired on 23 July 2000 but the options granted thereunder which are outstanding shall continue to be valid and exercisable in accordance with the provisions of the Expired Scheme.

As at 31 March 2002, the total number of shares which may be issued pursuant to the exercise of the outstanding options granted under the Expired Scheme was 61,800,000 shares, representing approximately 1.59% of the total issued share capital of the Company as at 31 March 2002.

Details of the share options outstanding as at 31 March 2002 which have been granted under the Expired Scheme are as follows:

	Date of grant	Vesting period*	Exercisable period	Exercise price HK\$	Number of shares subject to options		
					Outstanding as at 1 April 2001	Lapsed during the year	Outstanding as at 31 March 2002
<i>Directors</i>							
Lo Lin Shing, Simon	17 August 1999	17 August 1999 to 16 February 2002	17 August 1999 to 16 August 2002	0.5664	25,000,000	-	25,000,000
Yvette Ong	17 August 1999	17 August 1999 to 16 February 2002	17 August 1999 to 16 August 2002	0.5664	5,000,000	-	5,000,000
	22 July 2000	22 July 2000 to 21 July 2002	22 July 2000 to 21 July 2003	0.3592	4,000,000	-	4,000,000
Cheng Kar Shun, Henry	17 August 1999	17 August 1999 to 16 February 2002	17 August 1999 to 16 August 2002	0.5664	25,000,000	-	25,000,000
Doo Wai Hoi, William	17 August 1999	17 August 1999 to 16 February 2002	17 August 1999 to 16 August 2002	0.5664	8,000,000	(8,000,000)	-

SHARE OPTION SCHEMES (Continued)

(a) Expired Scheme (Continued)

	Date of grant	Vesting period*	Exercisable period	Exercise price HK\$	Number of shares subject to options		
					Outstanding as at 1 April 2001	Lapsed during the year	Outstanding as at 31 March 2002
Chan Wing Tak, Douglas	17 August 1999	17 August 1999 to 16 February 2002	17 August 1999 to 16 August 2002	0.5664	5,000,000	(5,000,000)	-
Wong Chi Chiu, Albert	17 August 1999	17 August 1999 to 16 February 2002	17 August 1999 to 16 August 2002	0.5664	3,000,000	(3,000,000)	-
<i>Consultant</i>	17 August 1999	17 August 1999 to 16 February 2002	17 August 1999 to 16 August 2002	0.5664	2,000,000	(2,000,000)	-
<i>Employees (including directors of subsidiaries)</i>	2 May 2000	2 May 2000 to 1 November 2002	2 May 2000 to 1 May 2003	0.5328	800,000	-	800,000
	22 May 2000	22 May 2000 to 21 November 2002	22 May 2000 to 21 May 2003	0.5888	3,000,000	(3,000,000)	-
	22 July 2000	22 July 2000 to 21 July 2002	22 July 2000 to 21 July 2003	0.3592	4,000,000	(2,000,000)	2,000,000
					84,800,000	(23,000,000)	61,800,000

* The options are vested and exercisable in tranches during the vesting period.

SHARE OPTION SCHEMES *(Continued)*

(b) Existing Scheme

Under the share option scheme of the Company adopted on 22 September 2000 (the "Existing Scheme"), the directors may, at their absolute discretion and subject to such conditions as they may think fit, offer options to any employees (including any executive directors) of the Company or its subsidiaries to subscribe for the shares of the Company at a price equal to the higher of the nominal value of the shares and an amount being not less than 80% of the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options.

The maximum number of shares in respect of which options may be granted under the Existing Scheme (when aggregated with any shares subject to any other schemes) may not exceed 10% of the issued share capital of the Company at the time of granting of the options excluding any shares issued upon exercise of the options. No participant shall be granted options to subscribe for such number of shares which in aggregate would exceed 25% of the total number of shares for which options may be granted under the Existing Scheme.

An offer of options may be accepted within 21 days from the date of offer upon payment of a nominal consideration of HK\$1.00.

The participants may exercise the options during the option period of 7 years from the date of grant of options, subject to a vesting schedule as may have been determined by the directors.

The Existing Scheme will remain in force for 10 years from 22 September 2000 unless terminated by the Company.

As at 31 March 2002, the total number of shares which may be issued pursuant to the exercise of the outstanding options granted under the Existing Scheme was 2,900,000 shares, representing approximately 0.07% of the total issued share capital of the Company as at 31 March 2002.

SHARE OPTION SCHEMES *(Continued)*

(b) Existing Scheme *(Continued)*

Details of the share options outstanding as at 31 March 2002 which have been granted under the Existing Scheme are as follows:

	Date of grant	Vesting period*	Exercisable period	Exercise price HK\$	Number of shares subject to options		
					Outstanding as at 1 April 2001	Lapsed during the year	Outstanding as at 31 March 2002
<i>Employee</i>	16 November 2000	16 November 2000 to 15 November 2002	16 November 2000 to 15 November 2007	0.2328	2,900,000	–	2,900,000

* *The option is vested and exercisable in tranches during the vesting period.*

Subsequent to the year end, the Company has completed a rights issue ("Rights Issue") of 1,941,653,720 shares of HK\$0.02 each in the capital of the Company at HK\$0.05 per share on the basis of one rights share for every two existing shares held. Upon completion of the Rights Issue on 12 April 2002, the exercise price and the number of shares to be issued upon exercise of the outstanding options granted under the Expired Scheme and the Existing Scheme have been adjusted in accordance with the provisions of the respective schemes. Details of the adjustments have been set out in the prospectus issued by the Company on 20 March 2002 in relation to the Rights Issue.

On 17 April 2002, the Company has granted pursuant to the Existing Scheme and new requirements of Chapter 17 of the Listing Rules options to certain directors and employees of the Group to subscribe for a total of 108,564,000 shares of the Company at a price of HK\$0.052 per share.

In order to comply with the new requirements of Chapter 17 of the Listing Rules which came into effect on 1 September 2001, a resolution will be proposed at a special general meeting to be held on 28 August 2002 immediately after the conclusion of the forthcoming annual general meeting to adopt a new share option scheme and terminate the Existing Scheme. Details of the proposed new share option scheme are set out in a circular sent together with this annual report.

CONNECTED TRANSACTIONS

- (1) The tenancies with New World Tower Company Limited ("NWTC") and Global Winner Limited ("GWL"), subsidiaries of New World Development Company Limited ("NWD"), in respect of the premises situated at 36th Floor and 37th Floor of New World Tower, 16-18 Queen's Road Central, Hong Kong and 18th Floor and 19th Floor of World Peace Centre, 55 Wo Tong Tsui Street, Kwai Chung, New Territories respectively no longer constitute connected transactions for the Company upon NWD and its associates ceasing to be substantial shareholders of the Company following the sale of their entire shareholding in the Company on 2 November 2001.

The total rental expenses (inclusive of management fees and air-conditioning charges) paid by the Group to NWTC and GWL for the period from 1 April 2001 to 1 November 2001 amounted to HK\$3,467,325 and HK\$642,401 respectively.

- (2) On 12 June 2001, New World CyberBase Solutions (HK) Limited ("NWCBS") entered into a sale and purchase agreement with New World Telephone Limited ("NWT") pursuant to which NWCBS agreed to sell certain network infrastructure, system and equipment in relation to the data center business of the Group to NWT at a consideration of HK\$7,962,272.
- (3) 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.
- (4) During the year, the Group has advanced HK\$780,000 in aggregate to Darierian Worldwide Limited, a 51% owned subsidiary of the Company, as working capital and the outstanding balance of the shareholder's loans advanced by the Group as at 31 March 2002 was HK\$46,133,417. 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.
- (5) The Group had advanced HK\$4,279,856.72 in aggregate to Cyber Datalive Limited ("Cyber Datalive"), a 75% owned subsidiary of the Company, as working capital. Mr. Chan See Yan, Billy, a director of Cyber Datalive, is beneficially interested in the remaining 25% 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. Pursuant to a deed of settlement dated 30 April 2001, both shareholders of Cyber Datalive agreed to release in full and absolutely Cyber Datalive from all claims and liabilities in respect of the outstanding shareholders' loans.

GROUP BORROWINGS

Details of the Group's borrowings are set out in notes 20 and 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 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.

EMPLOYEES SCHEME

As at 31 March 2002, the Group employed over 160 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 2002, the Group had advances and guarantee toward the affiliated companies in a total sum of HK\$172 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 2002 are presented below:

	Unaudited pro-forma combined balance sheet <i>HK\$'000</i>	Group's attributable interest <i>HK\$'000</i>
ASSETS		
Non-current assets		
Intangible assets	13,552	2,710
Property, plant and equipment	43,089	8,618
	56,641	11,328
Current Assets		
Debtors, prepayments and other deposits	47,942	14,328
Amount due from affiliates	9,706	1,941
Inventory	1,152	230
Cash and bank balances	12,673	2,535
	71,473	19,034
Current Liabilities		
Creditors, deposits and accruals	(20,177)	(8,775)
Current portion of long term loans	(10,430)	(2,086)
Amount due to immediate holding company	(308,361)	(154,180)
	(338,968)	(165,041)
Net current liabilities	(267,495)	(146,007)
Total assets less current liabilities	(210,854)	(134,679)
Non-current liabilities		
Long term loans	(88,941)	(17,788)
Net assets/(liabilities)	(299,795)	(152,467)
CAPITAL AND RESERVES		
Share capital	45,426	9,085
Reserves	(345,221)	(161,552)
	(299,795)	(152,467)

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.

On behalf of the Board

Lo Lin Shing, Simon
Chairman

Hong Kong, 16 July 2002