

Report of the Directors

The Directors submit their report together with the audited accounts of the Company and the Group for the year ended 31st March 2001.

Principal activities and segmental analysis of operations

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are set out in note 10 to the accounts.

An analysis of the Group's turnover and contribution to loss for the year by principal activities and markets are set out in note 2 to the accounts.

Results and Appropriations

The Group's results for the year ended 31st March 2001 are set out in the consolidated profit and loss account on page 25 of this annual report.

The Directors do not recommend the payment of any dividend for the year.

Share capital, share options and share premium

Details of the movements in the Company's share capital, share options and share premium accounts during the year, together with the reasons therefor, are set out in notes 19 and 20 to the accounts.

Reserves

Details of the movements in the reserves of the Company and the Group during the year are set out in note 20 to the accounts.

Distributable reserves

As at 31st March 2001, the Company had no reserves available for cash distribution and/or distribution in specie. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may only be distributed in certain circumstances which the Company is presently unable to meet. In addition, the Company's share premium account, with a balance of approximately HK\$475 million, may be distributed in the form of fully paid bonus shares.

Report of the Directors

Fixed assets

Details of the movements in fixed assets are set out in note 9 to the accounts.

Five year financial summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 63 to 64 of this annual report.

Directors

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

Executive Directors:

Mr. Bernard Pouliot	<i>(appointed on 19th April 2000)</i>
Mr. Chin Man	<i>(appointed on 1st February 2001)</i>
Mr. William Chow Wai Lap	<i>(appointed on 7th July 2000)</i>
Mr. Tai Him Yip	
Ms. Kaze Hui Gar Sie	<i>(resigned on 1st February 2001)</i>
Mr. James Chaung	<i>(resigned on 15th July 2000)</i>
Mr. Chung Tung Sau	<i>(resigned on 30th June 2000)</i>

Independent non-executive Directors:

Mr. Steven Kwan Ying Wai	<i>(appointed on 19th June 2000)</i>
Mr. Chi Chung Li	
Mr. William Chao Hang Man	<i>(appointed on 24th May 2001)</i>
Mr. Yu Lap Tang	<i>(resigned on 1st March 2001)</i>
Mr. Jarvis Kwong Yun Sing	<i>(resigned on 7th July 2000)</i>

In accordance with bye-laws 86(2) and 87 of the Company's bye-laws, Mr. William Chao Hang Man, Mr. Tai Him Yip and Mr. Chin Man will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

One third of the Directors of the Company, including the independent non-executive Directors, but excluding the Chairman, are subject to retirement by rotation and re-election at the annual general meeting of the Company, in accordance with the provisions of the Company's bye-laws.

Report of the Directors

Biographical details of Directors and senior management

Executive Directors

Mr. Bernard Pouliot, aged 49, is the Chairman and Managing Director of the Company and has more than 27 years' experience in investment, finance and corporate development. Until 1998, he was the Group Managing Director of a Hong Kong listed company. Mr. Pouliot is also an independent non-executive Director of a Hong Kong listed company involved in the provision of mechanical and electrical building services. He is responsible for formulating the overall business strategy of the Group.

Mr. Chin Man, aged 33, is the founder and a director of Quamnet. He has over 6 years' experience in the Internet industry. In 1994, Mr. Man founded LinkAge Online Ltd., which was subsequently sold to a U.S. based Internet Service Provider. Prior to setting up LinkAge Online Ltd., he was an analyst with a brokerage operation from June 1992 to September 1994. Mr. Man graduated with a Bachelor of Arts degree in Economics at the University of Rochester, New York in the U.S.

Mr. William Chow Wai Lap, aged 59, has over 25 years' experience in import and export business. He is responsible for the Group's sales and marketing activities.

Mr. Tai Him Yip, aged 31, is the chief financial officer of the Group and in charge of the Group's overall finance functions. He is a member of the Chartered Association of Certified Accountants and Hong Kong Society of Accountants. Mr. Yip is also an independent non-executive Director of another publicly listed company in Hong Kong.

Independent non-executive Directors

Mr. Steven Kwan Ying Wai, aged 53, was appointed as an independent non-executive Director of the Company in June 2000. Mr. Kwan has been a Chartered Accountant since 1977 and served as advisor and director for many listed companies in Hong Kong and Asia for the past 20 years. He is currently a Managing Director for a publicly listed company in Hong Kong.

Mr. Chi Chung Li, aged 32, a solicitor of the Supreme Court of Hong Kong, is a partner of a solicitors' firm in Hong Kong. He is also an independent non-executive Director of another publicly listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Report of the Directors

Biographical details of Directors and senior management *(Continued)*

Mr. William Chao Hang Man, aged 44, has over 15 years experience in capital markets in Hong Kong, Thailand and the U.S. Mr. Chao is the Managing Director of Wing Wah Limited, an investment banking and venture capital company, with offices in Thailand and Hong Kong. He is also holding directorships in Seamico Plc., Cal-Comp Electronics (Thailand) Plc., City Realty Co., Ltd. and Thai Industrial Connection Co., Ltd.

Senior Management

Miss Catherine Kuo Tsu York, aged 38, is the Director of e-Commerce and Business Development at Quamnet. Miss Kuo manages the business and strategic development of Quamnet with responsibilities covering Hong Kong, China and Thailand. She holds a MBA degree from the University of Western Ontario, Canada and is a certified public accountant qualified in the State of Illinois, the United States of America. During her fourteen years of experience in finance, she has held various positions including being an auditor in one of the Big Five accounting firms and an assistant treasurer in a reputable German merchant bank.

Mr. Yuen Kang Chau, aged 32, is the Director of e-Capital Products at Quamnet responsible for developing and distributing financial related products through the Quamnet website. He has over 9 years of experience in the Asian financial markets previously with Morgan Stanley, Citicorp International Limited and the Union Bank of Switzerland, in the areas of equity capital markets and institutional sales. Mr. Chau holds a bachelor degree in Economics and International Relations from the University of Southern California.

Dr. King Chung Ho, aged 36, is the Chief Technology Officer at Quamnet. He is responsible for technological affairs at Quamnet. Dr. Ho holds a doctor degree from University of Southern California. Before joining the Group in February 2000, he has over 7 years' experience in computer and internet related industries.

Miss Biddy Chan Kam Wan, aged 31, is the Chief Editor at Quamnet. She graduated from the Chinese University of Hong Kong, and has more than 9 years of experience in journalism. Before joining Quamnet, Miss Chan had worked at Bloomberg L.P. and Dow Jones & Co.

Mr. Vincent Lam Siu Yeung, aged 28, is the Head of Research at Quamnet. He leads the Quam Research team, who contributes to the writing of analyst reports and the provision of investment advice on the Interactive Money Manager section, a fee-based Internet platform on Quamnet. He holds a bachelor degree in Social Science (Economics) from the Chinese University of Hong Kong. Mr. Lam joined the Group in 1999.

Report of the Directors

Biographical details of Directors and senior management *(Continued)*

Mr. Siu Kei Luk, aged 36, is one of the co-founding member of Quamnet. He has expertise in computer and technologies related business. His career started in 1991 when he operated his own company providing consultancy service and training sessions to medium sized firms in Hong Kong. Mr. Luk founded Datalive Ltd. in late 1996, the one and only, net advertising hosting and management company serving the Asian communities. Before mingling with these ventures, Mr. Luk played key administrative roles in Manufactures Life Insurance Company and DHL International for providing operational and logistical support. He graduated from Lingnan College with Higher Diploma and Honor Diploma in Economics.

Directors' service 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.

Directors' interests in contracts

Save as disclosed in note 23 to the accounts, no contracts of significance in relation to the Group's business to which the Company and any 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.

Connected transactions

Related party transactions, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14 of the Listing Rules, are set out in note 23 to the accounts.

Report of the Directors

Directors' interests in equity or debt securities

As at 31st March 2001, the interests of the Directors, the Chief Executive and their associates in the share capital of the Company and its associated corporations, as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Number of shares					
Name of Director	Notes	Personal	Family and Trust	Corporate	Total
Executive Director					
Mr. Bernard Pouliot	1	2,729,757	–	527,130,963	529,860,720
Mr. Chin Man	2	13,307,896	156,241,543	–	169,549,439
Mr. William Chow Wai Lap		1,000,000	–	–	1,000,000
Non-executive Director					
Mr. Chi Chung Li		33,333	–	–	33,333

Notes:

- The corporate interests are held by Porto Global Limited, a company beneficially owned by Mr. Bernard Pouliot, and Newer Challenge Holdings Limited, a substantial shareholder of the Company which is also wholly beneficially owned by Mr. Bernard Pouliot.
- Of the 169,549,439 Shares, 156,241,543 Shares are held by Ms. Grace Sardjono, wife of Mr. Chin Man.

In addition to the above, Mr. Bernard Pouliot and Mr. Tai Him Yip hold shares in certain subsidiaries of the Company in a non-beneficial capacity solely for the purpose of complying with the minimum company membership requirements.

Report of the Directors

Directors' rights to acquire shares

Under the terms of a share option scheme adopted by the Company on 4th September 1997, the Board of Directors may, at their absolute discretion, grant options to eligible employees of the Group, including executive Directors, to subscribe for shares in the Company. Further details of the share option scheme are set out in note 19 to the accounts.

Details of movements in the number of share options granted to the Directors of the Company during the year are summarised as follows:

Name of Directors	Number of share options			At 31st March 2001	Exercise period of share options	Exercise price of share options HK\$
	At 1st April 2000	Granted during the year	Exercised during the year			
Mr. Bernard Pouliot	–	10,000,000	–	10,000,000	31.5.2000 – 3.9.2007	0.22
	–	15,000,000	–	15,000,000	1.8.2000 – 3.9.2007	0.11
	–	5,000,000	–	5,000,000	9.9.2001 – 8.9.2011	0.038
Mr. Chin Man	–	15,700,000	–	15,700,000	5.9.2001 – 4.9.2011	0.038
Mr. William Chow Wai Lap	–	10,000,000	–	10,000,000	1.8.2000 – 3.9.2007	0.11
Mr. Tai Him Yip	–	5,000,000	–	5,000,000	31.5.2000 – 3.9.2007	0.22
	–	5,000,000	–	5,000,000	5.9.2001 – 4.9.2011	0.038

HK\$10 was payable by each of the grantees upon the acceptance of the grant of an option.

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 Company's Directors, their 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.

Report of the Directors

Substantial shareholders

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31st March 2001, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name	No. of Shares held
Newer Challenge Holdings Limited	500,003,331

Mr. Bernard Pouliot is taken to be interested in the Shares held by Newer Challenge Holdings Limited pursuant to the SDI Ordinance, which were also included in "Directors' interests in equity or debt securities" above.

Purchase, redemption or sale of shares

During the year, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 65,420,000 shares of HK\$0.01 each of the Company at an aggregate consideration of HK\$3,969,402. All of these shares were cancelled subsequent to the repurchases. Details of the shares repurchased during the year are set out below:

Month of repurchase	Number of shares	Price per share		Aggregate consideration
		Highest HK\$	Lowest HK\$	
December 2000	25,200,000	0.080	0.072	1,941,780
January 2001	18,540,000	0.064	0.049	1,042,416
February 2001	5,000,000	0.055	0.049	256,680
March 2001	16,680,000	0.051	0.040	728,526
	65,420,000			3,969,402

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Report of the Directors

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Major customers and suppliers

Sales to the five largest and the largest customers of the Group accounted for approximately 77% and 43% of the Group's aggregate turnover for the year respectively.

Purchases from the five largest and the largest suppliers of the Group accounted for approximately 40% and 11% of the Group's aggregate purchases for the year respectively.

As far as the Directors are aware, neither the Directors, their associates, nor those shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) has any beneficial interest in the Group's five largest customers and/or five largest suppliers mentioned in the preceding paragraphs.

Compliance with the code of Best Practice

In the opinion of the Directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report, save that the non-executive Directors are not appointed for any specific terms of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company, in accordance with the bye-laws of the Company. The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice.

Subsequent events

Details of the significant subsequent events of the Group are set out in note 24 to the accounts.

Report of the Directors

Auditors

Messrs Ernst & Young retired as auditors of the Company at the annual general meeting of the Company held on 22nd September 2000 and PricewaterhouseCoopers were appointed as auditors of the Company.

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

Appreciation

The Board would like to take this opportunity to thank Mr. Yu Lap Tang and Ms. Kaze Hui Gar Sie for their loyal services to the Group and welcome Messrs. Chin Man and William Chao Hang Man as our new executive Director and independent non-executive Director respectively.

On behalf of the Board

Bernard Pouliot

Chairman

Hong Kong, 4th July 2001