

The directors have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2001.

## Principal Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in Note 11 to the financial statements.

The Group’s turnover and contribution to trading results by principal activities and by geographical locations for the year ended 31 March 2001 are as follows:

	Turnover		Loss before taxation	
	2001 <i>HK\$’000</i>	2000 <i>HK\$’000</i>	2001 <i>HK\$’000</i>	2000 <i>HK\$’000</i>
By principal activities:				
Sub-contracting services	973	2,744	(3,820)	(5,397)
Trading of computers and related accessories	12,548	-	(732)	-
Audio and visual products and components	<u>297</u>	<u>2,891</u>	<u>(12,342)</u>	<u>(10,340)</u>
	<u>13,818</u>	<u>5,635</u>	<u>(16,894)</u>	<u>(15,737)</u>
Other Group expenses			<u>(65,612)</u>	<u>(33,546)</u>
			<u>(82,506)</u>	<u>(49,283)</u>
	Turnover		Loss before taxation	
	2001 <i>HK\$’000</i>	2000 <i>HK\$’000</i>	2001 <i>HK\$’000</i>	2000 <i>HK\$’000</i>
By geographical locations:				
Hong Kong and Mainland China	<u>13,818</u>	<u>5,635</u>	<u>(82,506)</u>	<u>(49,283)</u>

# Report of the Directors

## Results and Appropriation

The results of the Group for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 23 to 56.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2001.

## Financial Summary

### Results

	Year ended 31 March				
	2001	2000	1999	1998	1997
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	<b>13,818</b>	<b>5,635</b>	<b>66,635</b>	<b>112,595</b>	<b>112,786</b>
<b>Loss from Operations</b>	<b>(78,217)</b>	<b>(46,575)</b>	<b>(74,736)</b>	<b>(35,983)</b>	<b>(42,252)</b>
Finance costs	(417)	(2,708)	(1,053)	(936)	(581)
Share of results of associates	-	-	-	-	(2,408)
Impairment loss on an associate	(3,891)	-	-	-	-
Loss from ordinary activities before taxation	(82,525)	(49,283)	(75,789)	(36,919)	(45,241)
Taxation	-	-	-	-	-
Minority interests	19	-	-	-	283
<b>Net loss attributable to shareholders</b>	<b>(82,506)</b>	<b>(49,283)</b>	<b>(75,789)</b>	<b>(36,919)</b>	<b>(44,958)</b>

The financial summary has not been modified in order to conform with the requirements of the Statement of Standard Accounting Practice ("SSAP") 1 (Revised) "Presentation of financial statements".

## Financial Summary (Continued)

### Assets and Liabilities

	As at 31 March				
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>
Intangible assets	43,332	-	-	-	-
Tangible fixed assets	68,909	53,060	49,775	84,083	93,562
Properties held for future development	-	-	-	-	74,256
Interests in associates	-	-	-	-	(2,205)
Current assets	<u>67,932</u>	<u>214,661</u>	<u>35,136</u>	<u>75,191</u>	<u>39,248</u>
<b>Total Assets</b>	<b><u>180,173</u></b>	<b><u>267,721</u></b>	<b><u>84,911</u></b>	<b><u>159,274</u></b>	<b><u>204,861</u></b>
Current liabilities	33,941	63,539	48,401	55,358	124,426
Long term portion of obligations under hire-purchase contracts and finance leases	-	-	8,783	400	-
Long term, unsecured loans	-	1,980	-	-	-
Convertible bonds	-	60,000	-	-	-
Minority interests	<u>11</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and minority interests	<u>33,952</u>	<u>125,519</u>	<u>57,184</u>	<u>55,758</u>	<u>124,426</u>
<b>Net Assets</b>	<b><u>146,221</u></b>	<b><u>142,202</u></b>	<b><u>27,727</u></b>	<b><u>103,516</u></b>	<b><u>80,435</u></b>
<i>Representing:-</i>					
Share capital	62,639	45,344	87,022	87,022	37,022
Reserves	<u>83,582</u>	<u>96,858</u>	<u>(59,295)</u>	<u>16,494</u>	<u>43,413</u>
<b>Shareholders' Funds</b>	<b><u>146,221</u></b>	<b><u>142,202</u></b>	<b><u>27,727</u></b>	<b><u>103,516</u></b>	<b><u>80,435</u></b>

### Tangible Fixed Assets

Details of movements in tangible fixed assets of the Group during the year are set out in Note 10 to the financial statements.

## Properties Held for Resale

The properties held for resale comprise five plots of industrial land held on medium term leases located at Jinqiao Industrial District, Qingxi Zhen, Dongguan Shi, Guangdong Province, the PRC with a total area of 300,190 square metre. During the year under review, RCR Electronics (Holdings) Limited, a wholly-owned subsidiary of the Company, disposed of all five plots of land to third parties, realising a gain on disposal of HK\$2,606,000 which has been included in the consolidated income statement.

## Borrowings and Interest Capitalised

Particulars of the Group's borrowings as at 31 March 2001 are set out in Note 17 to the financial statements. No interest was capitalised by the Group during the year.

## Convertible Bonds

Details of the convertible bonds of the Company at the balance sheet date are set out in Note 20 to the financial statements.

## Share Capital

Details of movements in the share capital, share options and warrants of the Company during the year are set out in Note 18 to the financial statements.

## Pre-Emptive Rights

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

## Purchases, Sale or Redemption of Listed Securities in the Company

During the year ended 31 March 2001, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited for the purpose of enhancing its earnings per share. All of these shares had been cancelled upon repurchase. Details of the repurchase are as follows:-

Month/Year	Number of Shares Repurchased	Price Per Share Paid		Aggregate Price Paid HK\$
		Highest HK\$	Lowest HK\$	
April 2000	84,220,000	0.050	0.045	4,160,980

Save as disclosed above, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2001.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 19 to the financial statements.

## Distributable Reserves

As at 31 March 2001, the Company had no reserves available for distribution.

## Major Suppliers and Customers

During the year under review, goods and services provided to the five largest customers accounted for about 39% of the turnover for the year. Purchases from the five largest suppliers accounted for about 69% of the total purchases for the year. The largest customer and supplier accounted for about 21% and 35% of the turnover and the total purchases respectively for the year.

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 had any beneficial interest in the five largest customers and suppliers.

## Directors

The directors during the financial year and subsequently were:

### Executive directors

Mr Tang Yiu Wing	(Appointed on 10 August 2000)
Mr Ng Kai Shing	
Mr Chan Kam Fuk	(Appointed on 15 January 2001)
Mr Choy Hon Keung, Norman	(Appointed on 15 January 2001)
Mr Li Chi Ka, Matthew	(Appointed on 10 August 2000 and resigned on 15 January 2001)
Mr Liu Shu Tin	(Resigned on 3 October 2000)
Mr Ip Yun Kit	(Resigned on 16 August 2000)
Mr Ho Kam Chuen, Alex	(Resigned on 10 August 2000)
Mr Cheung Ying Nang	(Resigned on 11 April 2000)
Mr Kom Wing Yuen, Peter	(Resigned on 11 April 2000)

### Independent non-executive directors

Mr Ng King Wah	(Appointed on 15 August 2000)
Mr So Hon Cheung, Stephen	(Appointed on 5 October 2000)
Mr Ip Chun Chung, Robert	(Resigned on 5 October 2000)
Mr Ng Wing Hang, Patrick	(Resigned on 15 August 2000)

In accordance with Bye-law 99 of the Company's Bye-laws, Mr Ng Kai Shing will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr Chan Kam Fuk, Mr Choy Hon Keung, Norman and Mr So Hon Cheung, Stephen will retire from office at the forthcoming annual general meeting.

Mr Choy Hon Keung, Norman and Mr So Hon Cheung, Stephen, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr Chan Kam Fuk, though being eligible, will not offer himself for re-election and will retire at the forthcoming annual general meeting.

## Directors' Service Contracts

The independent non-executive directors were appointed by the board of directors for a term of one year. Their remuneration is also determined by the board of directors on the anniversary of the date of their appointment.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than normal statutory obligations.

## Directors' Interests in Shares

As at 31 March 2001, the interests of the directors in the equity or debt securities of the Company and other associated corporations as recorded in the register maintained by the Company pursuant to section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance") were as follows:

Director	Number of ordinary shares of the Company	
	Personal interests	Corporate interests
Mr Tang Yiu Wing ( <i>Note i</i> )	7,280,000	638,780,000

*Note:*

- (i) Mr Tang Yiu Wing held 638,780,000 shares of the Company through Allied Great Limited, a company wholly-owned by him.

The Company has a share option scheme (the "Scheme") approved in an extraordinary general meeting on 21 September 1993 under which the directors may, at their discretion, invite any employees or executive directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme.

## Directors' Interests in Shares *(Continued)*

The details of share options granted to the directors and outstanding at 31 March 2001 are as follows:

Directors	Number of share options		
	1st lot <i>(Note 1)</i>	2nd lot <i>(Note 2)</i>	Outstanding as at 31 March 2001
Mr Ng Kai Shing	25,046,000	114,834,000	139,880,000
Mr Deng Kun Xiong	25,046,000	-	- <i>(Note 3)</i>
Mr Cheung Ying Nang	41,740,000	-	- <i>(Note 3)</i>
Mr Kom Wing Yuen, Peter	25,046,000	-	- <i>(Note 3)</i>
Mr Ho Kam Chuen, Alex	25,046,000	114,834,000	- <i>(Note 3)</i>
Mr Liu Shu Tin	25,046,000	114,834,000	- <i>(Note 3)</i>
Mr Ip Yun Kit	-	114,840,000	- <i>(Note 3)</i>

*Notes:*

1. These share options were granted to the directors on 24 November 1999, and are exercisable at a price of HK\$0.056 per share during the period from 1 June 2000 to 24 November 2002.
2. These share options were granted to the directors on 9 June 2000, and are exercisable at a price of HK\$0.029 per share during the period from 1 January 2001 to 9 June 2003.
3. The share options of these directors lapsed following their resignation as directors to the Company during the year.

Apart from the foregoing, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the directors or any of their spouses or children under eighteen years of age to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

## Directors' Interests in Contracts

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any 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.

## Substantial Interests in the Share Capital of the Company

The Company has been notified of the following interests in the Company's issued shares as at 31 March 2001 amounting to 10% or more of the ordinary shares in issue:

Shareholder	No. of ordinary shares held
Allied Great Limited	638,780,000

*The interest of Allied Great Limited was also disclosed as "Directors' Interests in Shares" above.*

Save as disclosed above, no person had registered an interest of 10% or more of the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance as at 31 March 2001.

## Substantial Shareholder's Service Contracts

No contracts of significance for the provision of services to the Group in which any substantial shareholder 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.

## Substantial Shareholder's Interests in Contracts

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any substantial shareholder 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.

## Related Party Transactions

Details of related party transactions are set out in Note 22 to the financial statements.



## Use of Proceeds

During the years ended 31 March 2001 and 2000, the Group had undertaken a number of fund raising transactions to finance certain investment projects that had been identified by the Group. The proceeds from the issues of new shares, after deduction of related expenses, amounted to approximately HK\$309,000,000 and have been fully applied as follows:

	<b>Amount utilised HK\$'000</b>
Refund of convertible bonds	60,000
Reduction of indebtedness level of the Group	45,000
Acquisition of the production line for manufacturing industrial packaging/food containers using a patented material called "HI-CL"	13,000
Construction cost for Xinhui factory and office, purchase of production facilities in the PRC for manufacture of HI-CL products	13,000
Acquisition of 2 units of CD replication lines located in North America	7,000
Acquisition of tangible fixed assets	3,000
Acquisition of subsidiaries engaged in distribution and retailing of computers and computer-related products in Hong Kong	23,000
Acquisition of an associate engaged in publication and distribution of computer games in Hong Kong	25,000
Acquisition of an associate engaged in e-commerce trade in Hong Kong	4,000
Deposits paid for acquisition of investments	20,000
Short term investments	53,000
Additional working capital for the Group	43,000
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## Corporate Governance

The Company has during the year 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 (the "Listing Rules").

In compliance with the requirement in the Code of Best Practice of the Listing Rules in respect of the establishment of an audit committee, the Company has formed an Audit Committee comprising Mr Ng Kai Shing, an executive director of the Company, Mr Ng King Wah and Mr So Hon Cheung, Stephen, both of whom are independent non-executive directors of the Company. The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants.

## **Auditors**

Messrs HLB Hodgson Impey Cheng were first appointed as auditors of the Company at the annual general meeting of the Company held on 2 November 1999 upon the retirement of Messrs Deloitte Touche Tohmatsu. Messrs HLB Hodgson Impey Cheng acted as auditors of the Company in respect of the financial statements for the years ended 31 March 2000 and 2001, and Messrs Deloitte Touche Tohmatsu acted as auditors of the Company in respect of the financial statements for the year ended 31 March 1999. There had been no other changes of the Company's auditors in the past three years.

Messrs HLB Hodgson Impey Cheng retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint Messrs HLB Hodgson Impey Cheng as auditors of the Company.

On Behalf of the Board

**Tang Yiu Wing**

*Chairman*

Hong Kong, 23 July 2001