

# Report of the Directors



The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 March 2001 which were approved by the board on the date of this report.

## Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 9 to the financial statements.

## Segmented Information

Analyses of the Group's turnover and contribution to operating loss from continuing operations by principal activities and by geographical markets for the year ended 31 March 2001 are as follows:

	Turnover from continuing operations HK\$'000	Contribution to operating loss HK\$'000
By principal activities:		
Sales of magnetic media products and related equipment	53,320	(8,992)
Sales of by-products	931	(8,476)
	<u>54,251</u>	<u>(17,468)</u>
Other revenue		1,646
		<u>(15,822)</u>
By geographical markets:		
Hong Kong	1,836	(3,459)
USA and Canada	16,121	(5,121)
People's Republic of China	35,159	(3,172)
Australia and New Zealand	–	(5,355)
Others	1,135	(361)
	<u>54,251</u>	<u>(17,468)</u>
Other revenue		1,646
		<u>(15,822)</u>



### Financial Results

The loss and cash flows of the Group for the year ended 31 March 2001 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 19 to 23.

### Dividends

The directors do not recommend the payment of any dividend for the year (2000: Nil).

### Financial Summary

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years is set out on page 48.

### Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in note 17 to the financial statements.

### Fixed Assets

Details of movements in fixed assets of the Group and the Company during the year are set out in note 8 to the financial statements.

### Share Capital

Details of movements in share capital of the Company during the year are set out in note 16 to the financial statements.

### Share Option Scheme

Details of the share option scheme of the Company are set out in note 16 to the financial statements.

### Subsidiaries

Particulars of the Company's principal subsidiaries at 31 March 2001 are set out in note 9 to the financial statements.



## Borrowings

Details of the borrowings of the Group and the Company at 31 March 2001 are set out in note 18 to the financial statements.

## Directors

The directors who held office during the year and up to the date of this report were:

### Executive directors:

CHEONG Swee Kheng, *Chairperson*

LIU Kwok Wah, Martin

(appointed on 2 January 2001)

William King JAKEL

(resigned on 31 December 2000)

### Non-executive directors:

Cahyadi Kumala KWEE

KEH Mei Mei

CHAN Tak Yin, Daniel

Herlina NURYANTI

YUEN Ping Chiu

(appointed on 7 November 2000)

Jimmy SUMARLIN

(resigned on 30 March 2001)

In accordance with the Company's Bye-Laws, all the directors retire and, being eligible, offer themselves for re-election.

## Directors' Service Contracts

Madam CHEONG Swee Kheng has entered into a service agreement with the Company for a period of three years with effect from 1 November 2000 and will continue thereafter unless and until terminated by either party by six months' prior notice.

Mr. LIU Kwok Wah has entered into a service agreement with the Company for a period of two years from 2 January 2001 and will continue thereafter unless and until terminated by either party by two month's prior notice.

Apart from the above, none of the directors 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 within one year without payment of compensation other than statutory compensation.



### Directors' Interests in Shares

The beneficial interests of the directors and their associates in the share capital of the Company at the balance sheet date were as follows:

Name	Personal Interests	Number of shares	
		Family Interests	Corporate Interests
CHEONG Swee Kheng	350,500,000	677,528,000 (Note 1)	–
Cahyadi Kumala KWEE	–	–	440,294,000 (Note 2)

Notes:

- (1) Madam CHEONG Swee Kheng personally held 350,500,000 shares in the Company. She was deemed to be interested in the 677,528,000 shares by virtue of the fact that her husband, Dr. Hendra RAHARDJA, was interested in the Company's shares through his beneficial shareholding interests in Fortune Grand Investment Limited. Dr. Hendra RAHARDJA, Madam CHEONG Swee Kheng and their another family member together are the beneficial owners of the entire issued share capital of Fortune Grand Investment Limited, of which Dr. Hendra RAHARDJA and Madam CHEONG Swee Kheng are directors.
- (2) These shares were held by Prestbury Incorporated Limited, of which Mr. Cahyadi Kumala KWEE is a director who wholly and beneficially owns its entire issued share capital.

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors, at 31 March 2001, none of the directors and their associates had any interests in any shares of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance.

The Company has adopted a share option scheme, under which the directors may, at their discretion, grant options to any person under full-time employment, including executive directors, of any member in the Group, to subscribe for shares not exceeding 10 per cent of the issued share capital in the Company. The share option scheme remains in force for a period of 10 years commencing on 1 July 1991.

No options were granted under the share option scheme during the year and no share options previously granted were outstanding as at the balance sheet date.

Save as disclosed above, 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 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.



## Substantial Shareholders

According to the register kept by the Company under section of 16(1) of the Securities (Disclosure of Interests) Ordinance, the following persons were interested or taken or deemed to be interested in 10 per cent or more of the nominal value of the issued share capital of the Company as at 31 March 2001:

Name	Number of shares
Madam CHEONG Swee Kheng	1,028,028,000 (Note 1)
Dr. Hendra RAHARDJA	1,028,028,000 (Note 1)
Fortune Grand Investment Limited	677,528,000 (Note 1)
Prestbury Incorporated Limited	440,294,000 (Note 2)
Mr. Cahyadi Kumala KWEE	440,294,000 (Note 2)

Notes:

- (1) These shareholdings are duplicated and refer to the same parcel of shares as set out in Note (1) to the section headed "Directors' Interests in Shares" above.
- (2) These shareholdings are duplicated and refer to the same parcel of shares as set out in Note (2) to the section headed "Directors' Interests In Shares" above.

Save as disclosed above, no other person was directly or indirectly beneficially interested in 10 per cent or more of the nominal value of the issued share capital of the Company as at 31 March 2001.

## Directors' Interests in Contracts

Save as disclosed under "Connected Transactions" below, no contract 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.



### Major Customers and Suppliers

For the year ended 31 March 2001:

- (i) The Group's largest customer and five largest customers accounted for approximately 28% and 55% respectively of the Group's total turnover.
- (ii) The Group's largest supplier and five largest suppliers accounted for approximately 25% and 56% respectively of the Group's total purchases (not including purchases of items which are of capital nature).

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) has any interests in these major customers or suppliers.

### Purchase, Sale or Redemption of Own Shares

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### Liquidity and Financial Resources

As at 31 March 2001, cash and bank balances of the Group amounted to HK\$33.9 million (2000: HK\$55.9 million). Bank and other borrowings of the Group as at the same date amounted to HK\$17.1 million (2000: HK\$21.6 million). The calculation of debt to equity ratio (expressed as a percentage of bank and other borrowings net of cash and bank balances over total net assets of the Group) is not applicable.

Approximately 61% (2000: 86%) of the Group's cash and bank balances were in Hong Kong dollar or United States dollar with balance 39% (2000: 14%) in Renminbi.

Approximately 85% (2000: 72%) of the Group's bank and other borrowings were in denominated Hong Kong dollar and the remaining 15% (2000: 28%) were denominated in United States dollar. Approximately 41% (2000: 41%) of the Group's bank and other borrowings was repayable within one year, and the balance 59% (2000: 59%) repayable in the second to fifth years.

The Group's financial position is considered satisfactory with its surplus working capital as at 31 March 2001 and available banking facilities, the Group has sufficient liquidity to satisfy its operating requirements.



## Staff

The Group has approximately 280 employees as at 31 March 2001. Employees are basically remunerated in accordance with the nature of the job, prevailing market trend, and their respective performance. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. In addition, training and development courses would also be provided as and when required.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-Laws although there are no restrictions against such rights under the laws in Bermuda.

## Connected Transactions

On 19 May 2000, Sunshine Worldwide Holdings Limited ("SWHL"), a wholly owned subsidiary of the Company, entered into an agreement with Good Cloud International Limited ("GCIL") pursuant to which SWHL agreed to acquire the freehold interest in the farming properties (the "Farm Properties") of a gross area of approximately 2,098 hectare in Western Australia from GCIL. Madam CHEONG Swee Kheng is a director of GCIL. She and together with her family interests wholly own GCIL. The consideration for acquisition of the Farming Properties is AUD\$1,264,000.

On 7 November 2000, Happy Universal Investment Limited ("HUI") a wholly owned subsidiary of the Company, entered into agreements with Full Sea International Limited ("FSI") and Jade Gold Properties Limited ("JGP") pursuant to which HUI agreed to acquire two units of residential premises in Sydney, Australia (the "Properties") from FSI and JGP. Madam CHEONG Swee Kheng and Ms. Herlina NURYANTI are directors of FSI and JGP. Madam CHEONG Swee Kheng, Ms. Herlina NURYANTI and together with Madam CHEONG's family interests wholly own FSI and JGP. The consideration of acquisition of the Properties was AUD\$640,250 in which AUD\$32,500 had been paid during the year and the balance will be paid in the coming year.

The purpose of all acquisitions above is to diversify the business of the Group.

## Code of Best Practice

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 ended 31 March 2001.

The term of office for the Non-executive Directors of the Company is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company.



### Auditors

PricewaterhouseCoopers were the auditors of the Group for the year ended 31 March 1999 and resigned as auditors of the Group on 17 March 2000.

BKR Lew & Barr Limited was appointed as auditors of the Group following the resignation of PricewaterhouseCoopers and continued to be the auditors of the Group for the year ended 31 March 2001. A resolution to re-appoint the retiring auditors, BKR Lew & Barr Limited, will be put at the forthcoming annual general meeting of the Company.

By order of the Board

**CHEONG Swee Kheng**

*Chairperson*

20 July, 2001, Hong Kong