

# Directors' Report

The directors present their annual report and the audited financial statements for the year ended December 31, 2001.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its subsidiaries and associates are set out in notes 18 and 19, respectively, to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2001 are set out in the consolidated income statement on page 19.

The directors now recommend the payment of a final dividend of 3 HK cents per share to the shareholders on the register of members on May 31, 2002, amounting to HK\$8,041,500 and the retention of the remaining profit for the year.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in notes 32 and 33 to the financial statements.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 59.

## INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired an investment property of HK\$2,000,000 from a debtor as repayment of debt and revalued all of its investment properties at the year end date. The deficit arising on revaluation, which has been debited to the investment property revaluation reserve, amounted to HK\$9,405,000.

Particulars of investment properties of the Group at December 31, 2001 are set out on page 60.

During the year, the Group acquired furniture, fixtures and equipment at a cost of HK\$3,947,000, leasehold improvements of HK\$2,173,000 and motor vehicles of HK\$1,477,000 for normal replacement purpose.

Details of these and other movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 16 and 17, respectively, to the financial statements.

# Directors' Report

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 3.1 to the financial statements.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

*Executive directors:*

Mr. Lim Siam Kwee

Mr. Lim Kiah Meng

Mr. Lim Kia Hong

Mr. Lim Hwee Hai

Ms. Lim Hwee Noi

*Independent non-executive directors:*

Mr. Lee Hiok Chuan

Mr. Woon Wee Teng

In accordance with the provisions of the Company's Bye-Laws, Messrs. Lee Hiok Chuan and Woon Wee Teng retire from office and, being eligible, offer themselves for re-election.

The term of office of each of the non-executive directors is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

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

# Directors' Report

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

### (i) Shares

At December 31, 2001, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of directors	Number of ordinary shares held	
	Personal Interests	Corporate Interests
Lim Siam Kwee	8,424,400	—
Lim Kiah Meng	2,531,200	178,640,000 (note)
Lim Kia Hong	2,531,200	178,640,000 (note)
Lim Hwee Hai	2,531,200	—
Lim Hwee Noi	2,276,000	—

Note: Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and Mr. Lim Kia Hong and their spouses together own 40.5% and 39.5% respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

### (ii) Options

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on July 29, 1992 for the primary purpose of providing incentives to directors and eligible employees, and will expire on July 28, 2002. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At December 31, 2001, the number of shares in respect of which options had been granted under the Scheme was 12.5 million, representing 4.7% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted to any individual is not permitted to exceed 2.5% of the shares of the Company in issue at any point in time.

# Directors' Report

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Continued)**

### **(ii) Options (Continued)**

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$10 as consideration per grant. Options may be exercised at any time from six months from the date of grant of the share options to the second anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as stated in the Stock Exchange's quotation sheets for the five trading days immediately preceding the date of grant of the options, and the nominal value of the shares.

The fair value of the options granted in the current year measured as at August 31, 2001, the date of grant, totalled approximately HK\$738,000. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

- (1) an expected volatility of 45%;
- (2) no annual dividends; and
- (3) the estimated expected life of the options granted during the year is six months. The corresponding 182 days Hong Kong Exchange Fund Bills interest rate at the date the options were granted was 3.16%.

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the income statement in respect of the value of options granted in the period.

# Directors' Report

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Continued)

### (ii) Options (Continued)

The following table discloses movements in the Company's share options during the year:

	Date of grant	Exercise price HK\$	Exercisable period	Outstanding at 1.1.2001	Granted during the year	Outstanding at 12.31.2001
<b>Directors</b>						
Lim Siam Kwee	February 21, 2000	0.94	August 20, 2000 to July 28, 2002	1,000,000	–	1,000,000
Lim Kiah Meng	February 21, 2000	0.94	August 20, 2000 to July 28, 2002	1,000,000	–	1,000,000
Lim Kia Hong	February 21, 2000	0.94	August 20, 2000 to July 28, 2002	1,000,000	–	1,000,000
Lim Hwee Hai	February 21, 2000	0.94	August 20, 2000 to July 28, 2002	1,000,000	–	1,000,000
Lim Hwee Noi	February 21, 2000	0.94	August 20, 2000 to July 28, 2002	1,000,000	–	1,000,000
				5,000,000	–	5,000,000
Employees	August 31, 2001	0.38	February 28, 2002 to July 28, 2002	–	7,500,000	7,500,000
Total				5,000,000	7,500,000	12,500,000

The closing price of the Company's shares immediately before August 31, 2001, the date of grant, was HK\$0.45.

Other than as disclosed above, at December 31, 2001, none of the directors or chief executives, nor their associates, had any interests in any securities of the Company, any of its associated corporations, its ultimate holding company or its fellow subsidiaries as defined in the SDI Ordinance, and none of the directors or chief executives nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

# Directors' Report

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company, its subsidiaries, its ultimate holding company or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and as at December 31, 2001, none of the directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the year.

## DIRECTORS' INTERESTS IN CONTRACTS

The following transactions were entered into by the Group during the year ended December 31, 2001:

	HK\$'000
Sales to:	
P.T. SiSTech Kharisma	22,169
Netband Technologies Far East Limited	40,284
Regent Pacific Media (S) Pte. Ltd.	33
Operating lease rentals paid to:	
Ever Rich Technology Limited	3,180
SiS Realty Pte. Limited	2,661
Service fee paid to:	
Regent Pacific Media (S) Pte. Ltd.	97

The wife of Mr. Lim Kiah Meng holds a 90% interest in P.T. SiSTech Kharisma which is engaged in the distribution of microcomputers and related hardware and software products in Indonesia.

The wife of Mr. Lim Kiah Meng has a 70% indirect interest in Netband Technologies Far East Limited.

Mr. Lim Kia Hong, a director of the Company, holds a 50% interest in Regent Pacific Media (S) Pte. Ltd.

Mr. Lim Kiah Meng and his wife own 80% of the issued share capital of Ever Rich Technology Limited.

All executive directors (and their respective associates) together hold a 51% indirect interest in the issued share capital of SiS Realty Pte. Limited.

In the opinion of the independent non-executive directors of the Company, the transactions with the above-mentioned companies were carried out in the usual course of business of the Group and on normal commercial terms.

Other than as disclosed above, no contracts of significance to which the Company, its ultimate holding company or its subsidiaries or fellow 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' Report

## SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no persons as having an interest of 10% or more of the issued share capital of the Company as at December 31, 2001.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers was less than 30%. The five largest suppliers of the Group together accounted for approximately 74% by value of the Group's total purchases during the year, with the largest supplier accounting for 21%.

At no time during the year did a director, an associate of a director or a shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest suppliers.

## DONATIONS

During the year, the Group made charitable donations amounting to HK\$18,000.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## PRE-EMPTIVE RIGHTS

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

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended December 31, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

## AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**LIM Kiah Meng**

*DIRECTOR*

April 18, 2002