

The directors have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2003.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 11 to the financial statements.

### SEGMENT INFORMATION

The business activities of the Group can be categorised into manufacturing and trading of magnetic media products, property development, wine producing and other strategic investment projects. Details of the segment information are set out in note 33 to the financial statements.

### FINANCIAL RESULTS

The loss and cash flows of the Group for the year ended 31 March 2003 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 17 to 22.

### DIVIDENDS

The directors do not recommend the payment of any dividends for the year (2002: 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 50.

### RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company during the year are set out in note 10 to the financial statements.

### SHARE CAPITAL

Details of movements in share capital during the year are set out in note 22 to the financial statements.

### SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 23 to the financial statements.

### BORROWINGS

Details of the borrowings of the Group and the Company at 31 March 2003 are set out in note 20 to the financial statements.

**DIRECTORS**

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

**EXECUTIVE DIRECTORS:**

Mr. Budiman RAHARDJA, (*Chairman*)

Ms. Herlina NURYANTI (*Note 1*)

Mr. KWAN Kei Chor, Samuel (appointed on 1 December 2002)

Madam CHEONG Swee Kheng (resigned on 27 September 2002)

Mr. LIU Kwok Wah (resigned on 27 September 2002)

**NON-EXECUTIVE DIRECTORS:**

Mr. LO Yuk Lam \*\*

Mr. WONG Kam Wah \*\* (appointed on 1 December 2002)

Mr. CHEN Zhi Yung (appointed on 24 September 2002)

Ms. CHEN Lee Mui (appointed on 24 September 2002)

Mr. YUEN Ping Chiu \*\* (resigned on 27 September 2002)

Ms. KEH Mei Mei (resigned on 15 May 2002)

\*\* Independent non-executive directors

In accordance with bye-law 102 (B) of the Company's Bye-laws, Mr. Kwan Kei Chor, Samuel and Mr. Wong Kam Wah shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law 182 of the Company's Bye-Laws, Mr. Chen Zhi Yung and Ms. Chen Lee Mui shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

*Note:*

- (1) The appointment of Ms. Herlina Nuryanti was changed from a non-executive director of the Company to an executive director with effect from 7 November 2002.

**DIRECTORS' SERVICE CONTRACTS**

Mr. Budiman RAHARDJA has renewed a service agreement with the Company for a period of four years from 1 April 2003 and will continue thereafter unless and until terminated by either party by two months' prior notice. This new service agreement superseded the previous two years service agreement entered into with the Company on 12 September 2001.

Ms. Herlina NURYANTI has entered into a service agreement with the Company upon the change of the appointment as an executive director of the Company for a period of two years from 7 November 2002 and will continue thereafter unless and until terminated by either party by two months' prior notice.

Mr. KWAN Kei Chor, Samuel has entered into a service agreement with the Company for a period of one year from 1 December 2002 and will continue thereafter unless and until terminated by either party by two months' 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 the 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		Corporate Interests
		Family Interests		
Budiman RAHARDJA	1	–	130,982,130	(Note 1)
Herlina NURYANTI	10	–	–	

Note:

- (1) Mr. Budiman RAHARDJA personally held 1 share in the Company. He was deemed to be interested in the 130,982,130 shares by virtue of the fact that he was interested in the Company's shares through his beneficial shareholding interests in Fortune Grand Investment Limited in which he owns 50% interest. Mr. Budiman RAHARDJA together with his mother, Madam Wasi Hastuti SRI are the beneficial owners of the entire issued share capital of Fortune Grand Investment Limited.

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 2003, 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.

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 pursuant to 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 2003:

Name	Number of shares
Budiman RAHARDJA	130,982,131 (Note 1)
Madam Wasi Hastuti SRI	130,982,130 (Note 1)
Fortune Grand Investment Limited	130,982,130 (Note 1)

Note:

- (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 except the 1 share personally held by Mr. Budiman Rahardja.

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 2003.

## 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 2003:

- (i) The Group's largest customer and five largest customers accounted for approximately 41% and 66% respectively of the Group's total turnover.
- (ii) The Group's largest supplier and five largest suppliers accounted for approximately 16% and 43% 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 best knowledge of the directors owned more than 5% of the Company's share capital) has any beneficial interests in these major customers and 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.

## PRE-EMPTIVE RIGHTS

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

## CONNECTED TRANSACTIONS

- (a) 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. Former director, Madam Cheong Swee Kheng, and director, Ms. Herlina Nuryanti, are directors of FSI and JGP. Madam Cheong Swee Kheng, Ms. Herlina Nuryanti, together with Madam Cheong's family interests, wholly own FSI and JGP. The consideration of acquisition of the Properties was AUD640,250 of which AUD32,500 had been paid in the year 2000 as deposits.

The Properties were intended to be used for providing accommodation to the Group's personnel who would be assigned to supervise and monitor the development by the Group of a residential property project in Sydney. During the year, the residential property project was disposed of. As a result of the disposal, the directors were of the opinion that the original intention behind the purchase of the Property had become vacuous. The directors resolved to dispose of the Properties as well. The contracts with FSI and JGP had been terminated by HUI by two Deeds of Termination both dated 2 April 2002. Consideration of the Deeds of Termination involves forfeiture of AUD32,500 deposits previously paid. The directors consider the forfeiture to be reasonable and based on normal and commercial terms.

### CONNECTED TRANSACTIONS (CONTINUED)

- (b) On 7 November 2002, the Company and Madam Cheong Swee Kheng, a former director of the Company, entered into a Deed of Settlement to terminate the service of Madam Cheong Swee Kheng. The termination was due to the resolution for re-electing Madam Cheong Swee Kheng as director was not approved at the annual general meeting of the Company held on 27 September 2002. The Company and Madam Cheong Swee Kheng had entered into a service agreement on 18 October 2000 for an initial fixed period of 3 years from 1 November 2000 to 31 October 2003 and then for an indefinite period thereafter subject to six months' notice given by either party. Pursuant to the Deed of Settlement, the Company paid Madam Cheong Swee Kheng the sum of HK\$6,525,285 to terminate the service agreement.
- (c) On 21 January 2003, South Perfect International Limited ("South Perfect"), a wholly owned subsidiary of the Company and Qingdao Yimin Putaojiu Chang ("Yimin") reached an agreement in respect of the transaction involving the assignment of the bank loan from Yimin to Qingdao Fushiwang Grape Wine Co. Limited. ("Fushiwang") in consideration of the transfer of assets from Yimin to Fushiwang and the writing off of the debt by Yimin. Fushiwang is an indirect subsidiary of the Company owned as to 55% by South Perfect and 45% by Yimin. According to the agreement, Yimin would transfer ownership of the assets (with an aggregate net book value of RMB3,110,000 per the unaudited management accounts of Yimin as at 30 November 2002) and eliminate the liability attributable to the debt (valuing at RMB1,640,000 per the unaudited management accounts of Yimin as at 30 November 2002) as the consideration for Fushiwang shouldering the bank loan (in the amount of RMB4,750,000).

### 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 2003.

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

The auditors, BKR Lew & Barr Limited, a corporation of Certified Public Accountants, retire and, being eligible, offer themselves for re-appointment.

By order of the Board  
**Budiman RAHARDJA**  
*Chairman*

Hong Kong, 21 July 2003