



The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 13 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit before tax by principal activity and geographical area of operations for the year ended 31 March 2001 is as follows:

	Turnover		Contribution to profit before tax	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Manufacture and sale of:				
Calculators with basic functions	133,045	158,363	5,210	25,595
Calculators with special functions	61,489	82,868	2,194	15,075
Euro converters	43,235	91,676	1,653	20,139
Other products	37,853	33,923	712	3,129
	<u>275,622</u>	<u>366,830</u>	<u>9,769</u>	<u>63,938</u>
By geographical area:				
The People's Republic of China (the "PRC"):				
Hong Kong	14,499	19,794	542	3,386
Elsewhere	212	3,056	9	494
Europe	82,671	140,625	2,937	27,932
Latin America	103,015	134,252	3,692	21,385
Middle East	28,381	29,382	960	4,387
North America	29,022	27,258	940	4,429
Others	17,822	12,463	689	1,925
	<u>275,622</u>	<u>366,830</u>	<u>9,769</u>	<u>63,938</u>



RESULTS AND DIVIDENDS

The Group's profit 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 financial statements on pages 17 to 52.

The directors do not recommend the payment of any dividend in respect of the year (2000: Proposed final dividend at HK3.2 cents per share).

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated/combined results and of the assets and liabilities of the Group prepared on the bases set out in the notes below.

Results

	Year ended 31 March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
TURNOVER	<u>275,622</u>	<u>366,830</u>	<u>271,276</u>	<u>232,640</u>	<u>181,825</u>
PROFIT BEFORE TAX	9,769	63,938	45,108	28,030	13,622
Tax	(2,364)	(6,940)	(4,681)	(2,629)	(1,395)
PROFIT BEFORE MINORITY INTERESTS	7,405	56,998	40,427	25,401	12,227
Minority interests	180	(59)	(55)	(55)	(128)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>7,585</u>	<u>56,939</u>	<u>40,372</u>	<u>25,346</u>	<u>12,099</u>



SUMMARY FINANCIAL INFORMATION (continued)

Assets and liabilities

	At 31 March		
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS	<u>176,970</u>	<u>99,190</u>	<u>76,385</u>
CURRENT ASSETS	<u>177,940</u>	<u>209,202</u>	<u>79,239</u>
CURRENT LIABILITIES	<u>(123,646)</u>	<u>(124,793)</u>	<u>(73,343)</u>
NET CURRENT ASSETS	<u>54,294</u>	<u>84,409</u>	<u>5,896</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>231,264</u>	<u>183,599</u>	<u>82,281</u>
NON-CURRENT LIABILITIES	<u>(12,924)</u>	<u>(11,614)</u>	<u>(12,440)</u>
MINORITY INTERESTS	<u>(3,417)</u>	<u>(3,597)</u>	<u>(3,538)</u>
	<u><u>214,923</u></u>	<u><u>168,388</u></u>	<u><u>66,303</u></u>

Notes:

1. The summary of the combined results of the Group for each of the three years ended 31 March 1999 has been extracted from the Company's prospectus dated 28 September 1999. The summary has been prepared based on the audited financial statements of the companies now comprising the Group, after appropriate adjustments and reclassifications, as if the current Group structure had been in existence throughout these financial years. The combined/consolidated results of the Group for the two years ended 31 March 2000 and 2001 are set out on page 17 of the financial statements.
2. As the Company was incorporated on 26 July 1999, the only published consolidated/combined balance sheets that have been prepared to date are those as at 31 March 1999, 2000 and 2001. The consolidated/combined balance sheets as at 31 March 1999 and 2000 are extracted from the published financial statements for the year ended 31 March 2000, prepared on the basis as if the Group had been in existence for each of these years.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 12 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and the Group's associates are set out in notes 13 and 14 to the financial statements, respectively.



BORROWINGS

Details of the borrowings of the Group are set out in notes 21 to 24 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year, together with reasons therefor, and details of the Company's share option scheme are set out in note 26 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group during the year and details of the distributable reserves of the Company are set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 26% of the total sales for the year and sales to the largest customer included therein amounted to 7%. Purchases from the Group's five largest suppliers accounted for 24% of the total purchases for the year and purchases from the largest supplier included therein amounted to 8%.

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders who own more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.



DIRECTORS

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

Executive directors:

Mr. Tong Yiu Lun

Mr. Yau Pui Kau

Ms. Wu Pik Ying

Mr. Ng Wa On

Mr. Cheung Ki Wai (resigned on 28 June 2001)

Independent non-executive directors:

Mr. Chan Chi Shing, Willie

Mr. Fong Wang Fun

Mr. Au Wun Lun (resigned on 22 February 2001)

In accordance with article 108 of the Company's articles of association, Mr. Yau Pui Kau and Ms. Wu Pik Ying will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. Apart from Mr. Tong Yiu Lun, all the other directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's articles of association.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and of the senior management of the Group are set out on pages 5 & 6 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from 1 September 1999 which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

In addition, Mr. Tong Yiu Lun is entitled to the provision of a residential apartment pursuant to the service contract entered into by the Company and Mr. Tong Yiu Lun.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.



DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 3 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its then holding company or any of its subsidiaries and then fellow subsidiaries was a party during the year.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions and connected transactions of the Group are set out in note 3 to the financial statements.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the directors and of the five highest paid employees are set out in note 7 to the financial statements.

DIRECTORS' INTERESTS IN SHARE CAPITAL

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

Name of director		Number of issued ordinary shares of HK\$0.10 each in the Company held and nature of interest			
		Personal interest	Family interest	Corporate interest	Total interest
Mr. Tong Yiu Lun	Note	–	–	222,000,000	222,000,000

Note: These shares are beneficially owned by and registered in the name of Great Wonder Investments Limited, a company incorporated in the British Virgin Islands whose entire issued capital is legally and beneficially owned by Mr. Tong Yiu Lun.

10,000 non-voting deferred shares in Marine Union Limited are beneficially owned as to 7,000 by Mr. Tong Yiu Lun and 3,000 by Ms. Wu Pik Ying. Two non-voting deferred shares in Century Hope Limited are beneficially owned as to one by Mr. Tong Yiu Lun and the other by Ms. Wu Pik Ying. 500,000 non-voting deferred shares in Cedar Base Electronic Limited are beneficially owned as to 450,000 by Mr. Tong Yiu Lun and 50,000 by Ms. Wu Pik Ying.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, at 31 March 2001, none of the directors or their associates had any personal, family, corporate or other interest in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of a share option scheme (the "Scheme") adopted by the Company in 1999, the board of directors is authorised, at its absolute discretion, to grant options to its full-time employees, including executive directors of the Company or any of its subsidiaries, to subscribe for shares in the Company. Further details of the Scheme are set out in note 26 to the financial statements. The Scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). No options had been granted to any director or employee under the Scheme up to the balance sheet date. Subsequent to the balance sheet date, a total of 69,225,000 share options were granted to certain employees of the Group pursuant to the Scheme.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its then holding company or any of its subsidiaries and then fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests that was required to be kept by the Company pursuant to Section 16(1) of the SDI ordinance.

Name	Notes	Number of shares held	Percentage
Great Wonder Investments Limited	(a)	222,000,000	38
Connion Limited	(b)	132,250,000	23

Notes:

- (a) The beneficial owner of the 220,000,000 shares held by Great Wonder Investments Limited is set out in the section "Directors' interests in share capital" above.
- (b) Connion Limited, a company incorporated in Hong Kong, is a wholly-owned subsidiary of Tomorrow International Holdings Limited, a company incorporated in Bermuda, and whose shares are listed on the Stock Exchange.

Save as disclosed above, no other person had registered an interest in the issued share capital of the Company that was required to be recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 31 to the financial statements.



PENSION SCHEMES

Details of the pension schemes of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 2 and 5 to the financial statements, respectively.

In the opinion of the directors of the Company, the Group had no significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong, as at 31 March 2001.

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 Rules Governing the Listing of Securities on the Stock Exchange, throughout the accounting period covered by this report, except that the independent non-executive directors of the Company were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

The Company established an audit committee (the "Committee") in 1999, which comprises all of the Company's independent non-executive directors, in accordance with paragraph 14 of the Code of Best Practice. The primary duties of the Committee are to review and supervise the financial reporting process and internal controls of the Group. The Group's financial statements for the year ended 31 March 2001 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards, and the Stock Exchange and other legal requirements, and that adequate disclosures have been made.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Tong Yiu Lun

Chairman

Hong Kong, 14 August 2001