

The directors submit their report together with the audited accounts for the year ended 31st March 2002.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the design, manufacture and sale of consumer electronic products and plastic products.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 20.

The directors have declared an interim dividend of HK1.5 cents per ordinary share, totalling HK\$7,684,000, which was paid on 15th January 2002.

The directors recommend the payment of a final dividend of HK4.5 cents per ordinary share, totalling HK\$23,012,000.

The directors also recommend to grant bonus warrants to the shareholders (other than overseas shareholders) whose names appear on the register of members of the Company on 22nd August 2002 on the basis of one warrant for every ten ordinary shares of HK\$0.10 each held in the issued share capital of the Company at an initial subscription price of HK\$0.98 per share. These warrants are expected to be exercisable from 2nd September 2002 to 1st September 2005, both days inclusive. Based on the issued share capital of the Company as at the date of this report, 51,138,185 bonus warrants would be issued.

LIQUIDITY AND FINANCIAL RESOURCES

Fiscal strength is one of management's core objectives. As a result of tighter control over working capital and capital expenditure, over HK\$425 million in cash on hand was available at the end of March 2002. In addition, we have to date drawn on just HK\$138 million of the HK\$250 million 3-year term loan facility obtained in October 2000. The ratio of total debt (net of cash) to the shareholders' equity decreased from 65% to 48%. On the basis of current cash on hand and available credit facilities, we are confident of possessing adequate liquidity to finance future expansion plans and meet working capital requirements.

The foreign exchange exposure to the Group is well managed, as nearly all sales and purchases are denominated in US dollar and HK dollar.

EMPLOYEES

As at 31st March 2002, we had approximately 14,000 employees in Hong Kong and the PRC. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. We also provide other benefits including medical insurance, provident fund and education subsidies to all eligible staff.

MAJOR SUPPLIERS AND CUSTOMERS

The purchases and sales attributable to the Group's major suppliers and customers expressed as a percentage of total purchases and sales of the Group for the year ended 31st March 2002 are as follows:

Purchases		
the largest supplier		8%
five largest suppliers combined		31%
Sales		
the largest customer		16%
five largest customers combined		66%

None of the directors, their associates or shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest at any time during the year in the major suppliers or customers noted above.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company are set out in note 11 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes of the Group are set out on page 57.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in note 20 to the accounts.

BANK LOANS AND OTHER BORROWINGS

An analysis of bank loans and other borrowings at 31st March 2002 is set out below:

	Trust receipt loans		Obligations under finance leases		Bank loans	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	89,717	111,595	15,060	19,068	65,769	49,312
In the second year	-	-	6,793	13,705	98,028	55,769
In the third to fifth year	-	-	3,036	8,094	19,741	90,269
	89,717	111,595	24,889	40,867	183,538	195,350

PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

Details of the Company's principal subsidiaries and jointly controlled entity at 31st March 2002 are set out in notes 31 and 14 to the accounts respectively.

RETIREMENT SCHEME

Details of the Company's retirement scheme are set out in note 9 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2002 amounted to HK\$46,499,000 (as restated 2001: HK\$46,739,000), comprising retained earnings and contributed surplus.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 58.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased its ordinary shares of HK\$0.10 each on The Stock Exchange of Hong Kong Limited as follows:

Trading month	Number of shares repurchased	Price per share		Total consideration HK\$'000
		Highest HK\$	Lowest HK\$	
April 2001	258,000	0.500	0.485	128
May 2001	354,000	0.570	0.500	195
July 2001	100,000	0.540	0.540	54
August 2001	200,000	0.530	0.520	105
September 2001	330,000	0.485	0.450	155
October 2001	200,000	0.480	0.480	96
January 2002	848,000	0.530	0.500	442
February 2002	32,000	0.570	0.570	18
	<u>2,322,000</u>			<u>1,193</u>

The above ordinary shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these ordinary shares. The directors considered that the repurchase of shares will benefit shareholders by enhancing the net assets and earnings per share of the Group. The premium payable on repurchase was charged against the share premium account.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

DIRECTORS

The directors during the year were:

Mr LEUNG Kai Ching, Kimen
Mr LEUNG Wai Sing, Wilson
Mr KUOK Kun Man, Andrew
Mr WONG Po Yan, *G.B.M., J.P.* *
The Hon LI Wah Ming, Fred, *J.P.* *
Mr LAU Wang Yip, Derrick *

* Independent non-executive directors

All directors retire in accordance with clause 87 of the Company's bye-laws but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

On 1st April 2001, each of the executive directors entered into a service contract with the Company for a term of 3 years and shall continue until terminated by either party giving to the other not less than 6 months notice in writing, which is not determinable within one year without payment of compensation, other than statutory compensation.

The independent non-executive directors do not have any service contracts with the Company or its subsidiaries, which is not determinable within one year without payment of compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 10 and 11.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, or any of its 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' INTEREST IN COMPETING BUSINESS

None of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

CONNECTED TRANSACTIONS

During the year and in the normal course of business, the Group sold goods totalling HK\$274,134,000 to Venturer Electronics Inc. in which a son of a director of the Company has beneficial interests. These transactions constitute connected transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”). The independent non-executive directors have reviewed these transactions and confirmed that these transactions were:

- (a) entered into in the ordinary and usual course of business of the Company;
- (b) entered into on normal commercial terms and on terms no less favourable than those available to independent third parties;
- (c) fair and reasonable so far as the shareholders of the Company are concerned; and
- (d) the aggregate value of sales to Venturer Electronics Inc. for the year ended 31st March 2002 did not exceed 9% of the total turnover of the Group.

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 31st March 2002, the directors, chief executives and their associates had the following interests in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) which require disclosure pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) or as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:

	Number of ordinary shares beneficially held				Total
	Personal interest	Corporate interest	Family interest	Other interest	
Mr LEUNG Kai Ching, Kimen	10,000,000	35,356,000 (note a)	-	-	45,356,000
Mr LEUNG Wai Sing, Wilson	42,400,000	-	170,018,000 (note b)	-	212,418,000
Mr KUOK Kun Man, Andrew	4,292,000	-	-	-	4,292,000

Note:

- (a) These shares are owned by Shunde Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr LEUNG Kai Ching, Kimen is the sole shareholder.
- (b) These shares are owned by Kimen Leung UT Limited, a company incorporated in the British Virgin Islands as the trustee of The Kimen Leung Unit Trust which is beneficially owned by The Kimen Leung Family Trust. Mr LEUNG Wai Sing, Wilson and other family members of Mr LEUNG Kai Ching, Kimen are the beneficiaries of The Kimen Leung Family Trust which is a discretionary trust.

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES *(continued)*

Save as disclosed above and other than one ordinary share each in the Hong Kong incorporated subsidiaries of the Company held in trust for the Group by Mr LEUNG Kai Ching, Kimen, none of the directors, chief executives or their associates had any beneficial or non-beneficial interests in the share capital of the Company or its associated corporations required to be disclosed pursuant to the SDI Ordinance and the Model Code.

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Share options were granted to directors and employees under the Share Options Scheme (the "Scheme") approved by shareholders at a Special General Meeting on 6th November 1992. No share options were granted to any directors under the Scheme during the year and there were no outstanding options as at 31st March 2002 and 31st March 2001. The Scheme will lapse on 5th November 2002 and the Board of directors has no intention to grant any option before the expiry of the option period.

Save as aforesaid, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executives or their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31st March 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital:

Name	Number of shares beneficially held
Kimen Leung UT Limited	170,018,000

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Code of Best Practice has been complied with by the Company except that independent non-executive directors are not appointed for a specific term as recommended under Appendix 14 of the Listing Rules. According to the bye-laws of the Company, independent non-executive directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election. In the opinion of the Company, this meets the same objective as the Code of Best Practice.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The committee comprises three independent non-executive directors, namely Mr WONG Po Yan, *G.B.M., J.P.*, the Hon LI Wah Ming, *Fred, J.P.* and Mr LAU Wang Yip, *Derrick*. The audit committee has reviewed the financial statements of the Group for the year ended 31st March 2002.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LEUNG Kai Ching, Kimen

Chairman

Hong Kong, 11th July 2002