

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st March 2001.

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 audio-visual, telecommunication and plastic products.

An analysis of the Group's turnover and contribution to operating profit by principal activities 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 21.

The directors recommend the payment of a final dividend of HK3 cents per ordinary share, totalling HK\$15,411,000.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position continued to be healthy. As at 31st March 2001, cash balance increased to HK\$217 million (2000: HK\$183 million), and the current ratio was improved to 1.9 (2000: 1.5). Ratio of Net Borrowings to Shareholders' Funds maintained at a low level of 16% (2000: 11%).

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 2001, the Group had approximately 12,000 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. The Group also provides other benefits including medical insurance, provident fund and education subsidies to all eligible staff.

The Company maintains a share option scheme under which the Directors may, at their discretion, invite employees of the Company or its subsidiaries, including Directors, to take up options to subscribe for shares in the Company.

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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 2001 are as follows:

Purchases	
the largest supplier	6%
five largest suppliers combined	24%
Sales	
the largest customer	18%
five largest customers combined	61%

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) was interested at any time in the year in the above suppliers or customers.

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 51.

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.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2001 amounted to HK\$47,428,000 (2000: HK\$47,584,000), comprising retained profits 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 52.

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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\$	
November 2000	388,000	0.470	0.460	180
December 2000	766,000	0.490	0.460	370
January 2001	630,000	0.490	0.480	305
February 2001	350,000	0.500	0.495	174
March 2001	260,000	0.510	0.500	131
	<u>2,394,000</u>			<u>1,160</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.

Subsequent to year end, the Company repurchased 612,000 ordinary shares of HK\$0.10 each at prices ranging from HK\$0.485 to HK\$0.570 per share on The Stock Exchange of Hong Kong Limited. The total cash consideration is approximately HK\$323,000.

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 * (appointed on 25th July 2000)

* 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.

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DIRECTORS' SERVICE CONTRACTS

On 1st April 1998, each of the executive directors entered into a service contract with the Company and one of its subsidiaries, 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. Subsequently the service contracts have been renewed for another term of 3 years on 1st April 2001.

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 11 to 12.

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.

CONNECTED TRANSACTIONS

During the year and in the normal course of business, the Group sold goods totalling HK\$164,875,000 to Venturer Electronics Inc. in which a son of a director of the Company has beneficial interests. These related party 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 2001 did not exceed 9% of the total turnover of the Group.

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PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 31st March 2001, 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

Notes:

- (a) *These shares are owned by Shundeau 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.*

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.

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

Under a share option scheme approved by the shareholders of the Company, the directors of the Company may, at their discretion, invite employees and executive directors of the Group, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. During the year, no options have been granted. Details of options exercised during the year and outstanding as at 31st March 2001 are as follows:

Directors	Date of grant	Subscription price	Number of option shares outstanding as at 1st April 2000	Number of option shares exercised during the year	Number of option shares outstanding as at 31st March 2001
Mr LEUNG Kai Ching, Kimen	6th November 1997	HK\$0.38	10,000,000	(10,000,000)	-
Mr LEUNG Wai Sing, Wilson	6th November 1997	HK\$0.38	10,000,000	(10,000,000)	-

The share options are exercisable at any time after the first date of grant but before the third anniversary of the date of grant. Each option gives the holder the right to subscribe for one share.

Apart from the above, 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 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following interests which represents 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.

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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 2001.

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, 12th July 2001