



The directors herein present their report together with 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. The principal activities of the Group during the year consisted of the design and manufacture of electrical appliances and trading of other merchandise.

In April 2000, the subsidiaries which carried out the activities of the distribution of films, television dramas and sports programmes became associates as a result of the Group's disposal of part of its investments. Accordingly, these activities ceased to be principal activities of the Group during the year.

### SEGMENTAL INFORMATION

The analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical area of operations for the year ended 31 March 2001 is as follows:

	2001		2000	
	Turnover	Contribution to loss from operating activities	Turnover	Contribution to loss from operating activities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Design and manufacture of electrical appliances	203,702	(25,133)	202,020	(18,989)
Trading of merchandise	1,472	(507)	6,710	194
Distribution of films, television dramas and sports programmes	—	—	52,773	11,404
	<u>205,174</u>	<u>(25,640)</u>	<u>261,503</u>	<u>(7,391)</u>
Gain on disposal of interests in subsidiaries		33		—
Gain on disposal of interests in associates		<u>12,537</u>		—
Loss from operating activities		<u>(13,070)</u>		<u>(7,391)</u>



## SEGMENTAL INFORMATION (continued)

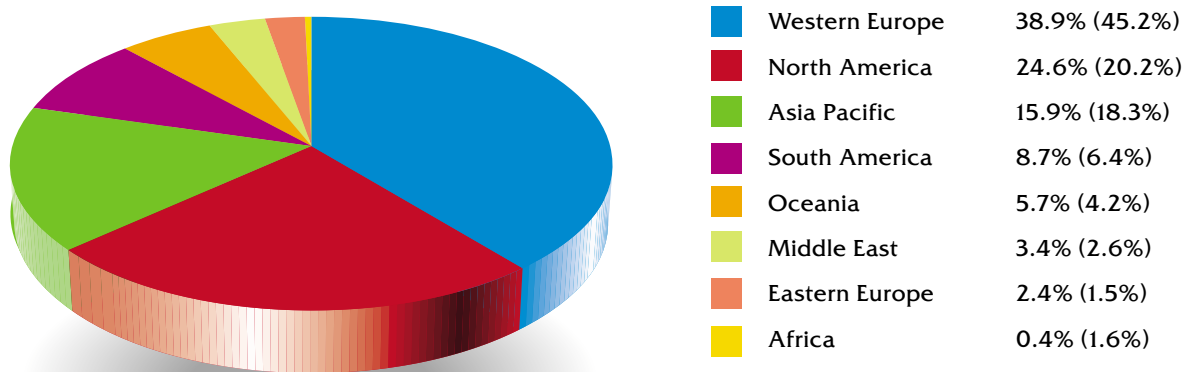
	2001	2000
	Turnover	Turnover
	HK\$ '000	HK\$ '000
By geographical area:		
Design and manufacture of electrical appliances:		
Western Europe	79,310	91,247
Eastern Europe	4,816	2,941
North America	50,162	40,869
South America	17,697	12,976
Asia Pacific countries	32,321	37,073
Middle East	7,001	5,234
Oceania	11,561	8,430
Africa	834	3,250
	<u>203,702</u>	<u>202,020</u>
Trading of merchandise:		
Western Europe	1,460	6,483
Asia Pacific countries	12	59
Middle East	—	140
North America	—	28
	<u>1,472</u>	<u>6,710</u>
Distribution of films, television dramas and sports programmes:		
The People's Republic of China	<u>—</u>	<u>52,773</u>

The contribution to loss from operating activities by geographical area is substantially in line with the overall rate of contribution to turnover by activity and accordingly a geographical analysis of contribution is not presented.

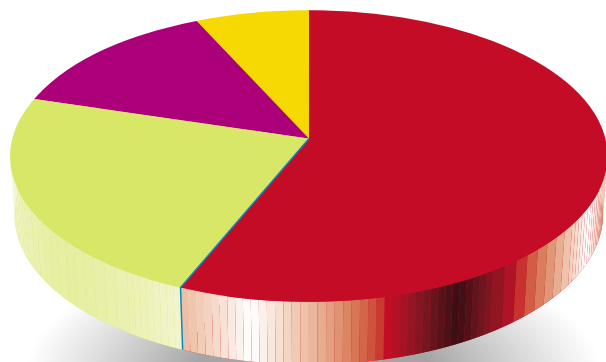
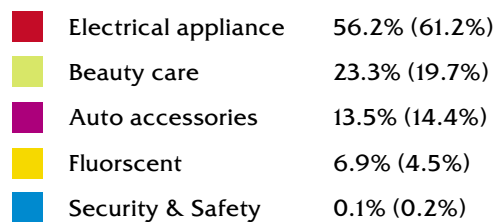


## DESIGN AND MANUFACTURE OF ELECTRICAL APPLIANCES

Sales analysis by geographical area - FY2001(FY2000)



Turnover by product line - FY2001(FY2000)





### RESULTS AND DIVIDENDS

The loss of the Group for the year ended 31 March 2001 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 20 to 56.

The directors do not recommend the payment of any dividend in respect of the year.

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

#### RESULTS

	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Turnover	<u>205,174</u>	<u>261,503</u>	<u>190,104</u>	<u>258,227</u>	<u>483,138</u>
Net loss attributable to shareholders	<u>(23,651)</u>	<u>(16,126)</u>	<u>(36,105)</u>	<u>(52,110)</u>	<u>(42,376)</u>
Dividends	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,309</u>

#### ASSETS AND LIABILITIES

Total assets	<u>231,520</u>	<u>288,407</u>	<u>282,351</u>	<u>330,855</u>	<u>448,018</u>
Total liabilities	<u>65,224</u>	<u>92,454</u>	<u>95,222</u>	<u>100,654</u>	<u>152,108</u>
	<u>166,296</u>	<u>195,953</u>	<u>187,129</u>	<u>230,201</u>	<u>295,910</u>
Minority interests	<u>24</u>	<u>7,539</u>	<u>2,513</u>	<u>8,130</u>	<u>4,554</u>
Net assets	<u>166,272</u>	<u>188,414</u>	<u>184,616</u>	<u>222,071</u>	<u>291,356</u>



### **FIXED ASSETS AND INVESTMENT PROPERTIES**

Details of movements in the fixed assets and investment properties of the Group are set out in notes 12 and 13 to the financial statements, respectively.

### **SUBSIDIARIES**

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

### **ASSOCIATES**

Particulars of the Company's and the Group's interests in principal associates are set out in note 15 to the financial statements.

### **BANK LOAN AND OTHER BORROWINGS**

Details of the Group's bank loan and other borrowings at the balance sheet date are set out in notes 20 and 21 to the financial statements.

### **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in the Company's share capital and share options during the year are set out in note 23 to the financial statements.

### **PRE-EMPTIVE RIGHTS**

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

### **PURCHASE, SALE OR REDEMPTION 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.

### **RESERVES**

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



### DISTRIBUTABLE RESERVES

At 31 March 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$16,471,000 (2000: HK\$39,386,000), as computed in accordance with the Companies Act 1981 of Bermuda (as amended). In addition, the Company's share premium of HK\$103,948,000 (2000: HK\$103,948,000) may be distributed in the form of fully paid bonus shares.

### EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of 1,937 (2000: 2,026) employees in Hong Kong and elsewhere in the People's Republic of China. The Group regularly reviews its employees' pay levels and performance bonus system to ensure that the remuneration policy is competitive within the relevant industries.

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's total turnover and total purchase, respectively, for the year.

### ORDERS ON HAND

At the date of this report, the Group had outstanding orders on hand valued at approximately HK\$59 million (2000: HK\$87 million). This is equivalent to approximately three months' business volume of the Group. The directors regard this level of orders as satisfactory and they are confident that work orders can be maintained at this level.

### DIRECTORS

The directors of the Company during the year were:

**Executive directors:**

Kwok Hon Ching (*Chairman*)  
Kwok Hon Lam (*Chief Executive Officer*)  
Kwok Hon Kau, Johnny  
Lee Ho Man, Eric

**Independent non-executive directors:**

Chow Cheuk Lap  
Wong Lung Tak, Patrick

In accordance with articles 86 and 87 of the Company's bye-laws, Mr. Kwok Hon Lam will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.



### DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 15 to 16 of the annual report.

### EMOLUMENTS OF DIRECTORS AND THE SIX HIGHEST PAID INDIVIDUALS

Details of the directors emoluments and of the six highest paid individuals in the Group are set out in notes 7 and 8 to the financial statements, respectively.

### DIRECTORS' SERVICE CONTRACTS

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

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

### DIRECTORS' INTERESTS IN SHARES

At 31 March 2001, the interests of the directors in the share capital issued by 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	Notes	Number of shares held and nature of interests		Total
		Personal	Others	
Kwok Hon Ching	(a)	8,900,000	55,000,000	63,900,000
Kwok Hon Kau, Johnny	(b)	8,900,000	75,000,000	83,900,000
Kwok Hon Lam	(c)	8,900,000	75,000,000	83,900,000
Lee Ho Man, Eric		2,000,000	—	2,000,000
		<u>28,700,000</u>	<u>205,000,000</u>	<u>233,700,000</u>



## DIRECTORS' INTERESTS IN SHARES *(continued)*

*Notes:*

- (a) 55,000,000 shares held by Saramade Company Limited, a trustee of a unit trust owned by a discretionary trust established for the benefits of the family members of Mr. Kwok Hon Ching.
- (b) 75,000,000 shares held by Prominent Field Inc., a trustee of a unit trust owned by a discretionary trust established for the benefits of the family members of Mr. Kwok Hon Kau, Johnny.
- (c) 75,000,000 shares held by Armstrong Inc., a trustee of a unit trust owned by a discretionary trust established for the benefits of the family members of Mr. Kwok Hon Lam.

The interests of the directors in the share options of the Company are separately disclosed in the section "Directors' rights to acquire shares".

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

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, the directors may grant options to the directors and employees of the Group to subscribe for up to 10% of the share capital of the Company in issue from time to time, excluding any shares issued pursuant to the exercise of options granted under the share option scheme. The details of share options granted to the directors are as follows:

Name of director	Number of share options at 31 March 2000	Number of shares options granted/ (exercised) during the year	Number of share options at 31 March 2001	Exercise period of share options	Exercise price of share options <i>HK\$</i>
Kwok Hon Ching	8,900,000	(8,900,000)	—	24-1-1998 to 23-1-2001	0.10
Kwok Hon Kau, Johnny	8,900,000	(8,900,000)	—	24-1-1998 to 23-1-2001	0.10
Kwok Hon Lam	8,900,000	(8,900,000)	—	24-1-1998 to 23-1-2001	0.10
Lee Ho Man, Eric	2,000,000	(2,000,000)	—	24-1-1998 to 23-1-2001	0.10
	28,700,000	(28,700,000)	—		





### DIRECTORS' RIGHTS TO ACQUIRE SHARES *(continued)*

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

### SUBSTANTIAL SHAREHOLDERS

As 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 required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of issued share capital
Saramade Company Limited	55,000,000	12.0
Prominent Field Inc.	75,000,000	16.4
Armstrong Inc.	75,000,000	16.4

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of SDI Ordinance.

### PENSION SCHEME

Details of the pension scheme 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.

### COMPLIANCE WITH 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 Listing Rules of The Stock Exchange of Hong Kong Limited ("the Stock Exchange"), throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are 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 bye-laws.



### AUDIT COMMITTEE

The written terms of reference which described 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. The audit committee presently comprises of the two independent non-executive directors of the Company, namely Mr. Chow Cheuk Lap and Dr. Wong Lung Tak, Patrick. Two meetings were held during the current financial year.

### 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

**Kwok Hon Ching**

*Chairman*

Hong Kong

25 July 2001