

## Report of the Directors

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

### Principal activities

The Group's principal activities consist of the manufacture and sale of consumer electronic products. The principal activity of the Company is investment holding. There were no changes in the nature of either the Group's or the Company's principal activities during the year.

### Segmental information

An analysis of the Group's turnover and contribution to loss from operating activities, which was principally derived from the manufacture and sale of consumer electronic products, by geographical area of operations for the year ended 31 March 2001, is as follows:

	Turnover <i>HK\$'000</i>	Contribution to loss from operating activities <i>HK\$'000</i>
America:		
United States of America	45,798	55
Others	93,882	154
Asia:		
People's Republic of China ("PRC")	1,625,097	(93,874)
Middle East	153,132	143
Others	139,916	351
Europe:		
Germany	79,418	10
United Kingdom	49,654	1
Others	155,826	307
Oceania & Africa:		
Australia	160,939	179
Others	102,123	119
Total:	<u>2,605,785</u>	<u>(92,555)</u>

The manufacture and sale of consumer electronics products accounted for more than 90% of the Group's turnover for the year ended 31 March 2001.

### Results and dividends

The Group's loss for the year ended 31 March 2001 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 19 to 54.

An interim dividend of HK0.5 cent per ordinary share was paid on 26 February 2001 (2000: HK1.0 cent).

The Board of Directors of the Company has not recommended the payment of final dividend for the year ended 31 March 2001 (2000: HK1.0 cent).

## Summary financial information

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below. This summary is not part of the audited financial statements.

	Year ended 31 March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
<b>RESULTS</b>					
TURNOVER	<b>2,605,785</b>	3,039,292	3,437,621	3,232,063	2,839,649
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	<b>(92,555)</b>	136,449	147,921	144,619	128,117
Finance costs	<b>(49,030)</b>	(38,961)	(39,450)	(48,144)	(47,711)
Share of profits less losses of associates	<b>(27,233)</b>	(8,582)	(5,808)	3,942	18,231
PROFIT/(LOSS) BEFORE TAX	<b>(168,818)</b>	88,906	102,663	100,417	98,637
Tax	<b>(795)</b>	(3,744)	(1,900)	(7,043)	(8,909)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<b>(169,613)</b>	85,162	100,763	93,374	89,728
Minority interests	<b>(1,478)</b>	(108)	66	(1,144)	1,552
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<b><u>(171,091)</u></b>	<u>85,054</u>	<u>100,829</u>	<u>92,230</u>	<u>91,280</u>
<b>ASSETS AND LIABILITIES</b>					
TOTAL ASSETS	<b>3,006,654</b>	2,972,192	2,590,620	2,698,103	2,072,927
TOTAL LIABILITIES	<b>1,600,968</b>	1,376,073	1,145,323	1,281,631	1,006,199
MINORITY INTERESTS	<b>49,413</b>	47,120	11,730	19,013	19,211
NET ASSETS	<b><u>1,356,273</u></b>	<u>1,548,999</u>	<u>1,433,567</u>	<u>1,397,459</u>	<u>1,047,517</u>

## Fixed assets

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

### Subsidiaries and associates

Particulars of the Group's principal subsidiaries and associates are set out in notes 13, 15 and 32 to the financial statements.

### Bank loans and overdrafts

Particulars of the bank loans, overdrafts and other borrowings of the Group and the Company at 31 March 2001 are set out in notes 23 and 24 to the financial statements.

### Share capital and share options

Details of movements in the Company's share capital and share options during the year, together with reasons therefor, are set out in note 27 to the financial statements.

### Pre-emptive rights

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

### Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

### Distributable reserves

At the balance sheet date, the Company's share premium account in the amount of HK\$795,533,000 may be distributed in the form of fully paid bonus shares. The distributable reserves of the Company as at 31 March 2001 amounted to HK\$965,905,000, which comprised retained profits of HK\$170,372,000 and share premium account of HK\$795,533,000.

### Major suppliers and customers

The percentages of the Group's purchases and turnover attributable to its major suppliers and customers were as follows:

Percentage of purchases:	
From the largest supplier	11%
From the five largest suppliers	33%
Percentage of turnover:	
From the largest customer	40%
From the five largest customers	64%

None of the directors of the Company or any of their associates or any shareholders which, to the knowledge of the directors, owned more than 5% of the Company's share capital, had any beneficial interest in the Group's five largest suppliers or five largest customers during the year.

## Directors

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

### Executive directors:

Mr. Wu Shaozhang	
Mr. Wong Kwok Wing	
Mr. Tse On Kin	(appointed on 27 August 2001)
Mr. Chen Weixiong	
Mr. Lee Muk Sang	
Mr. Yuen Chung Yan, John	(appointed on 13 June 2000)
Mr. Weon Du Ho	(appointed on 27 August 2001)
Mr. Lau Tat Hong, Andrew	(appointed on 13 June 2000)
Mr. Yueng Cheuk Kwong	(resigned on 17 April 2000)

### Independent non-executive directors:

Mr. Lee Shue Shing
Mr. Wong Ying Ho, Kennedy

On 27 August 2001, Mr. Wu Shaozhang was appointed as the Chairman of the Company, and Mr. Wong Kwok Wing and Mr. Tse On Kin, were appointed as the Vice-chairmen of the Company.

In accordance with article 99 (A) of the Company's bye-laws, Messrs. Tse On Kin, Lee Muk Sang, Weon Du Ho and Lee Shue Shing will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The term of office for each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's bye-laws.

## Emoluments of directors and the five highest paid individuals

Details of the emoluments of the directors and of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

## Directors' service contracts

Messrs. Wu Shaozhang, Wong Kwok Wing and Chen Weixiong have service contracts with the Company which expire on 31 October 2002.

Apart from the foregoing, 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.

### Substantial shareholders

At 31 March 2001, the following interest of 10% or more of the share capital of the Company was recorded in the register of interests that is required to be kept by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):

Name	Number of shares	Percentage
Vandor Profits Limited ( <i>Note</i> )	486,132,109	29.77

*Note:* Vandor Profits Limited ("Vandor") is beneficially owned by Messrs. Wu Shaozhang and Wong Kwok Wing, the Chairman and the Vice-Chairman respectively, and China Everbright Holdings Company Limited.

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" below, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### Directors' interests in shares

At 31 March 2001, the interests of the directors in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

Directors	Number of shares held and nature of interest	
	Personal interest	Corporate interest
Mr. Wu Shaozhang ( <i>Note</i> )	—	486,132,109
Mr. Lau Tat Hong, Andrew	400,000	—

*Note:* These shares are held by Vandor (see the section "Substantial shareholders" above). Under the SDI Ordinance, a director is taken to be interested in shares if a corporation is interested in the shares and the director is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that corporation. Messrs. Wu Shaozhang is deemed to be interested in the shares of the Company held by Vandor, however, Mr. Wong Kwok Wing is not so deemed to be interested despite his interest in Vandor, for the purpose of the SDI Ordinance.

Save as disclosed above and other than certain nominee shareholdings in subsidiaries held in trust for the Group by certain directors, none of the directors or their associates had any personal, family, corporate or other interest in the equity or debt securities 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 Company granted options on the Company's ordinary shares in favour of the following directors which remained outstanding at the balance sheet date, the details of which are as follows:

Director	Date of options granted	Notes	Number of share options outstanding at 1 April 2000	Options lapsed during the year	Number of share options outstanding at 31 March 2001
Mr. Wong Kwok Wing	27 August 1997	(a) & (b)	23,000,000	(23,000,000)	—
	30 October 1997	(a) & (b)	9,600,000	(9,600,000)	—
Mr. Wu Shaozhang	27 August 1997	(a) & (b)	23,000,000	(23,000,000)	—
	30 October 1997	(a) & (b)	9,600,000	(9,600,000)	—
Mr. Chen Weixiong	27 August 1997	(a) & (b)	23,000,000	(23,000,000)	—
	30 October 1997	(a) & (b)	9,600,000	(9,600,000)	—
Mr. Lee Muk Sang	30 October 1997	(a) & (b)	1,000,000	(1,000,000)	—
Mr. Yeung Cheuk Kwong	27 August 1997	(a) & (b)	4,000,000	(4,000,000)	—
	30 October 1997	(a) & (b)	1,000,000	(1,000,000)	—
Mr. Lau Tat Hong, Andrew	5 September 1997	(a) & (b)	700,000	(700,000)	—
			<u>104,500,000</u>	<u>(104,500,000)</u>	<u>—</u>

### Notes:

- (a) These share options were granted to the directors at a nominal value per grant, pursuant to the share option scheme adopted by the Company on 30 January 1997, and are exercisable at any time during an option period of three years commencing from the date of grant.
- (b) The exercise prices of the share options granted on 27 August 1997, 5 September 1997 and 30 October 1997 were HK\$0.8050, HK\$0.7632 and HK\$0.4336, respectively. As a result of the Rights Issue completed on 23 October 1997, there was an alteration of the capital structure of the Company which affected the option exercise prices of the share options granted prior to 23 October 1997. In accordance with the terms of the share option scheme as noted above, the exercise price of the share options granted on 27 August 1997 was adjusted to HK\$0.7441.

During the year, no share options were granted to any directors.

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 Company's directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Directors' interests in contracts

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

### Purchase, sale or redemption of listed securities of the Company

Except as disclosed in note 27 to the financial statements, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### 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 4 to the financial statements, respectively.

### Practice Note 19 of the Listing Rules

The Directors reported that as the balance sheet date, the Group had trade receivables, loan and guarantees given in respect of banking facilities granted to Qingyuan Rowa Electronics Company Limited ("QY Rowa") and its associates (as defined by Practice Note 19 of Listing Rules) as follows:

	<i>HK\$'000</i>
Trade receivables (Net)	627,337
Loan	18,420
Guarantee given in respect of banking facilities granted to associates	<u>215,037</u>
	<u><u>860,794</u></u>

The trade receivables, arising from trading transactions between the Group and QY Rowa and its associates, are unsecured and interest-free. The loan made to QY Rowa was unsecured, interest-free and has no fixed terms of repayment.

The aggregate of the trade receivables, loan and guarantees represented 63% of the consolidated net assets of the Group 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 of Hong Kong Limited, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

### Post balance sheet event

Details of the significant post balance sheet event of the Group are set out in note 34 to the financial statements.

## 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 OF DIRECTORS

**Wu Shaozhang**  
*Chairman*

Hong Kong, 31 August 2001