

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The continuing principal activities of the Group consisted of the manufacture and sale of electronic calculators, personal digital assistants and other electronic products. During the year, the Group commenced the production of digital cameras.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of markets for the year ended 31 May 2001 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 May 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 25 to 66.

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

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated/combined results and of the assets and liabilities of the Group for the last five financial years prepared on the basis set out in note below.

	Year ended 31 May				
	2001	2000	1999	1998	1997
RESULTS	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	338,534	290,540	277,675	279,760	210,901
Profit before tax	44,775	22,395	33,305	46,243	37,360
Tax	(3,586)	(2,164)	(2,509)	(5,676)	(4,885)
Profit before minority interest	41,189	20,231	30,796	40,567	32,475
Minority interest	5	–	–	–	–
Net profit from ordinary activities attributable to shareholders	41,194	20,231	30,796	40,567	32,475
	As at 31 May				
	2001	2000	1999	1998	1997
ASSETS AND LIABILITIES	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	395,047	281,036	157,641	133,557	77,509
Net current assets	16,476	24,489	16,640	12,945	3,607
Non-current liabilities	(16,000)	(14,140)	(18,486)	(19,403)	(22,145)
Minority interests	–	(5)	–	(2,100)	–
Net assets	395,523	291,380	155,795	124,999	58,971

Note: The summary of the combined result of the Group for the year ended 31 May 1997 and the combined assets and liabilities of the Group as at 31 May 1997 have been extracted from the Company's prospectus dated 19 September 1997. This summary was prepared from the audited financial statements of the companies now comprising the Group, after appropriate adjustments and reclassifications, as if the structure of the Group had been in existence throughout this financial year. Accordingly, the consolidated result of the Group for the year ended 31 May 1997 included the results of the Company and its subsidiaries with effect from 1 June 1996 or since their respective dates of incorporation, where this is a shorter period. The results of the Group for the four years ended 31 May 2001 and its assets and liabilities as at 31 May 1998, 1999, 2000 and 2001 are those set out on pages 25, 27 and 28 of the financial statements and those extracted from previous years' financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 15 to the financial statements.

BORROWINGS

Details of the Group's borrowings at the balance sheet date are set out in notes 18 and 20 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for 32% of the Group's turnover for the year and sales to the Group's largest customer accounted for 7% of the Group's turnover for the year.

Purchases from the five largest suppliers of the Group accounted for 40% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 14% of the Group's purchases for the year.

As far as the directors are aware, neither the directors, their associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")), nor any shareholders which, to the knowledge of the directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or suppliers.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and details of the share option scheme are set out in note 22 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 May 2001, the Company's contributed surplus of HK\$145,459,000 was available for cash distribution and/or distribution in specie. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may be distributed in certain circumstances. In addition, the Company's share premium account with a balance of HK\$169,544,000 may be distributed in the form of fully paid bonus shares.

DIRECTORS

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

Executive directors

Mr. Lee Wing Kan
Mr. Lee Wing Chan
Ms. Ching Mei Yee

Independent non-executive directors

Mr. Leung Hok Lim
Ms. Tan Fu Yun

Pursuant to the bye-laws of the Company, Mr. Leung Hok Lim and Ms. Ching Mei Yee will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors entered into a service contract with the Company for a term of three years commencing 1 October 1997 and which expired on 30 September 2000. Another new service contract was entered by each of the executive directors for another term of three years commencing 1 October 2000. Either party to the service contract may terminate the contract by serving to the other party a written notice of not less than six months prior to the effective date of termination.

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.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 May 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 Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name	Nature of interest	Number of shares held
Mr. Lee Wing Kan	Other <i>(Note)</i> Personal	215,770,000 6,500,000
Mr. Lee Wing Chan	Other <i>(Note)</i> Personal	215,770,000 6,500,000
Ms. Ching Mei Yee	Personal	14,300,000

Note: The shares are legally and beneficially owned by Simply Noble Limited, a company ultimately and beneficially owned by the Simply Noble Trust. The Simply Noble Trust is a discretionary trust, the discretionary objects of which include Messrs. Lee Wing Kan and Lee Wing Chan.

Messrs. Lee Wing Kan and Lee Wing Chan have beneficial interests in their personal capacity in the following amounts of non-voting deferred shares in the following member companies of the Group:

Name	Yue Fung Development Company Limited	Benswick Development Limited	Gold Asia Realty Limited
Mr. Lee Wing Kan	2,500,000 shares of HK\$1 each	1 share of HK\$1	1 share of HK\$1
Mr. Lee Wing Chan	2,500,000 shares of HK\$1 each	1 share of HK\$1	1 share of HK\$1

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests 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 share option scheme adopted on 15 May 1997, the board of directors may, on or before 14 May 2007, at its discretion invite any full-time employees, including directors, of the Company or any of its subsidiaries to take up options to subscribe for shares of the Company. Details of the share option scheme are set out in note 22 to the financial statements.

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 or any of its subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either direct or indirect, in any contracts of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 May 2001, the following interest of 10% or more in the issued share capital of the Company was 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 holding
Simply Noble Limited (<i>Note</i>)	215,770,000	22.4%

Note: The shares are legally and beneficially owned by Simply Noble Limited, a company ultimately and beneficially owned by the Simply Noble Trust. The Simply Noble Trust is a discretionary trust, the discretionary objects of which include Messrs. Lee Wing Kan and Lee Wing Chan.

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

CONNECTED/RELATED PARTY TRANSACTIONS

On 23 August 2000, the Company entered into a conditional subscription agreement with Simply Noble Limited, a substantial shareholder of the Company which is beneficially owned by Messrs. Lee Wing Kan and Lee Wing Chan, directors of the Company. Under this agreement, Simply Noble Limited agreed to subscribe in cash for a HK\$20,000,000 convertible note (“Note”) to be issued at par by the Company at nil interest charge. The Note was issued on 6 October 2000 and fully repaid on 25 May 2001. No conversion of the Company’s ordinary shares was made during the year. The transactions also constituted a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Details of the other related party transactions of the Group are set out in note 27 to the financial statements.

DIRECTORS’ REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the directors’ remuneration and that of the five highest paid individuals in the Group are set out in notes 7 and 8 to the financial statements.

RETIREMENT SCHEME

Details of the retirement 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, 5 and 7 to the financial statements, respectively. In the opinion of the directors, the Group had no significant obligations at 31 May 2001 for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the laws of Hong Kong.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company’s listed securities during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights 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.

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, throughout the accounting period covered by the annual 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 bye-laws.

AUDIT COMMITTEE

To comply with the revised Code of Best Practice, as set out in Appendix 14 of the Listing Rules, the Company set up an audit committee (the "Committee") on 14 September 2000 with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors, namely Mr. Leung Hok Lim and Ms. Tan Fu Yun. The Group's financial statements for the year ended 31 May 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 legal requirements, and that adequate disclosures have been made.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 28 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



Lee Wing Kan

Chairman and Managing Director

Hong Kong
26 September 2001