

The directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 May 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group consisted of the manufacture and sale of electronic calculators, personal digital assistants ("PDAs"), digital cameras and other electronic products. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 May 2002 is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 May 2002 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 76.

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

REPORT OF THE DIRECTORS (CONTINUED)

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results and of the assets, liabilities and minority interests of the Group for the last five financial years prepared on the basis set out in the notes below.

	2002 <i>HK\$'000</i>	Year ended 31 May			
		2001 <i>HK\$'000</i> (Restated)	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
RESULTS					
Turnover	<u>425,666</u>	<u>338,534</u>	<u>290,540</u>	<u>277,675</u>	<u>279,760</u>
Profit before tax	<u>28,822</u>	<u>6,794</u>	<u>22,395</u>	<u>33,305</u>	<u>46,243</u>
Tax	<u>(5,780)</u>	<u>(3,586)</u>	<u>(2,164)</u>	<u>(2,509)</u>	<u>(5,676)</u>
Profit before minority interest	<u>23,042</u>	<u>3,208</u>	<u>20,231</u>	<u>30,796</u>	<u>40,567</u>
Minority interest	<u>–</u>	<u>5</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net profit from ordinary activities attributable to shareholders	<u>23,042</u>	<u>3,213</u>	<u>20,231</u>	<u>30,796</u>	<u>40,567</u>
	2002 <i>HK\$'000</i>	As at 31 May			
ASSETS, LIABILITIES AND MINORITY INTERESTS		2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i> (Restated)
Non-current assets	<u>422,804</u>	<u>395,047</u>	<u>281,036</u>	<u>157,641</u>	<u>133,557</u>
Current assets	<u>310,665</u>	<u>147,140</u>	<u>138,446</u>	<u>119,316</u>	<u>115,700</u>
TOTAL ASSETS	<u>733,469</u>	<u>542,187</u>	<u>419,482</u>	<u>276,957</u>	<u>249,257</u>
Current liabilities	<u>105,241</u>	<u>130,664</u>	<u>113,957</u>	<u>102,676</u>	<u>93,655</u>
Non-current liabilities	<u>88,345</u>	<u>16,000</u>	<u>14,140</u>	<u>18,486</u>	<u>19,403</u>
TOTAL LIABILITIES	<u>193,586</u>	<u>146,664</u>	<u>128,097</u>	<u>121,162</u>	<u>113,058</u>
MINORITY INTERESTS	<u>–</u>	<u>–</u>	<u>5</u>	<u>–</u>	<u>2,100</u>
NET ASSETS	<u>539,883</u>	<u>395,523</u>	<u>291,380</u>	<u>155,795</u>	<u>134,099</u>

SUMMARY FINANCIAL INFORMATION (Continued)*Notes:*

1. The results of the Group for the year ended 31 May 2001 have been adjusted for the effect of the retrospective changes in the accounting policy affecting goodwill, as detailed in note 4 to the financial statements.
2. The assets, liabilities and minority interests of the Group for the year ended 31 May 1998 have been adjusted for the effect of the retrospective changes in the accounting policy affecting proposed dividends, as detailed in note 2 to the financial statements. The effect of this change in accounting policy is that the proposed final dividend which was previously recognised as a liability at the balance sheet date, but is now disclosed within the capital and reserves section of the balance sheet.
3. The results of the Group for the five years ended 31 May 2002 and its assets, liabilities and minority interests as at 31 May 1998, 1999, 2000, 2001 and 2002 are extracted from the prior years' audited financial statements and reclassified as disclosed in notes above, and those set out on pages 25, 27 and 28 of the 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 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year, together with the reasons therefor, and details of the share option scheme of the Company are set out in note 25 to the financial statements and disclosed under the heading "Share option scheme" below.

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 May 2002, 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\$254,130,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 38% of the Group's total sales for the year and sales to the Group's largest customer accounted for 9% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 37% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 13% of the Group's total purchases for the year.

As far as the directors are aware, neither the directors of the Company or 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.

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, Ms. Ching Mei Yee and Ms. Tan Fu Yun will retire and, being eligible, will 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 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 of compensation, 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 May 2002, 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 (the "SDI Ordinance") were as follows:

Name of director	Nature of interest	Number of shares held
Mr. Lee Wing Kan	Corporate (Note)	1,478,088,000
Mr. Lee Wing Chan	Corporate (Note)	1,478,088,000
Ms. Ching Mei Yee	Personal	57,200,000

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.

DIRECTORS' INTERESTS IN SHARES (Continued)

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 of director	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 OR DEBENTURES

Save as disclosed under the heading "Share option scheme" below, 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 arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Group's full-time employees, including the Company's executive directors. The Scheme became effective on 15 September 1997 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

Under the terms of the Scheme:

- (i) the maximum number of shares of the Company in respect of which share options may be granted may not exceed in nominal amount of 10% of the issued share capital of the Company from time to time (the "Scheme Limit");

SHARE OPTION SCHEME (Continued)

- (ii) no share option may be granted to any participant, if exercised in full, will result in the total number of shares already issued and which may fall to be issued to the participant under all options previously granted to him pursuant to the Scheme exceeding 25% of the Scheme Limit;
- (iii) offer of a grant of share option may be accepted within 30 days from the date of the offer upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 3 years after the date when the option is granted and expiring on the last date of such period; and
- (iv) the subscription price of shares under the Scheme may not be less than the higher of 80% of the average of the closing price of shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of the offer of grant of the share options and the nominal value of the shares of the Company.

The Scheme was adopted prior to the new rules on share option schemes under the Listing Rules coming into operation. The Company may only grant further options under the Scheme if the options are granted in accordance with the requirements of the new rules of Chapter 17 of the Listing Rules which include, inter alia, the followings:

- (i) the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the relevant class of shares of the Company (or its subsidiaries) in issue as at the date of approval of the Scheme. Subject to compliance with the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the relevant class of shares of the Company in issue from time to time;
- (ii) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Grant of options to connected persons are subject to more stringent requirements; and
- (iii) the exercise price of the share options is determined by directors, but may not be less than the higher of (a) the Stock Exchange closing price of the Company's shares on the date of the offer of the grant of the share options; and (b) the average of the Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer of the grant of the share options.

SHARE OPTION SCHEME (Continued)

On 18 April 2001, a total of 23,200,000 share options were granted to non-director employees of the Group at nil consideration to subscribe for a total of 23,200,000 ordinary shares of the Company at an exercise price of HK\$0.039 per share, subject to adjustment. These share options are exercisable within two years from 18 April 2002. None of such share options were exercised during the year. During the year, all of 23,200,000 share options were either lapsed or cancelled. No share options were granted during the year and up to the date of this report.

SUBSTANTIAL SHAREHOLDERS

As at 31 May 2002, 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 issued share capital
Simply Noble Limited (Note)	1,478,088,000	32%

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 issued share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 32 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code"), 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 as required by paragraph 7 of the Code, 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 Company has an audit committee (the "Committee") which was established in accordance with the requirements of the Code, for the purposes 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 2002 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

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
27 September 2002