

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

### Principal activities

The Group's principal activities remained as the manufacture and sale of consumer electronic products during the year. The principal activities of the subsidiaries, associates and jointly-controlled entities are set out in note 37 to the financial statements. The principal activity of the Company is investment holding.

### Segment information

An analysis of the Group's turnover and contribution to results by principal activities and geographical areas of operations for the year ended 31 March 2002 is set out in note 6 to the financial statements.

### Results and dividends

The Group's loss for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 79.

The board of directors of the Company has not recommended the payment of any dividend for the year ended 31 March 2002.

### Summary financial information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on pages 85 to 86. This summary does not form part of the audited financial statements.

### Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 16 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 the reasons therefor, are set out in note 31 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 Company and the Group during the year are set out in note 32 to the financial statements.

### Distributable reserves

As at 31 March 2002, the Company had no reserves available for cash distribution. The Company's share premium account of HK\$792,011,000 and the contributed surplus account, arising from the capital reduction during the year, of HK\$145,372,000 as at 31 March 2002 may be distributed in the form of fully paid bonus shares.

### Major suppliers and customers

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

Percentage of purchases:

From the largest supplier	7%
From the five largest suppliers	23%

Percentage of turnover:

From the largest customer	18%
From the five largest customers	39%

None of the directors of the Company or any of their associates or any shareholders which, to the best 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 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. Weon Du Ho	(appointed on 27 August 2001 and retired on 14 May 2002)
Mr. Yuen Chung Yan, John	
Mr. Lau Tat Hong, Andrew	(resigned on 16 September 2001)
Mr. Lee Muk Sang	(resigned on 1 February 2002)

### Independent non-Executive Directors:

Mr. Lee Shue Shing	
Mr. Wu Xiaoke	(appointed on 14 August 2002)
Mr. Wong Ying Ho, Kennedy	(resigned on 2 July 2002)

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. Chen Weixiong and Yuen Chung Yan, John will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors 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.

## Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 9 of the annual report.

## 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 10 and 11 to the financial statements, respectively.

### Directors' service contracts

Messrs. Wu Shaozhang, Wong Kwok Wing and Chen Weixiong have service contracts with the Company which will 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 of compensation, other than statutory compensation.

### Share option schemes

Pursuant to share option schemes adopted on 20 March 1991 and 30 January 1997 (the "Old Schemes"), the Company may grant options to executive directors and employees of the Group to subscribe for shares in the Company. The share subscription price of any options granted under the Old Schemes is the higher of 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date on which an option is granted, and the nominal value of the Company's shares. The maximum number of shares for which options may be granted may not exceed 10% of the ordinary share capital in issue from time to time, excluding those shares which have been issued under the Old Schemes.

Subsequent to the balance sheet date, on 15 April 2002, the Company terminated the Old Schemes and adopted a new share option scheme (the "New Scheme"). The New Scheme shall be valid and effective for a period of 10 years from 15 April 2002, after which period no further share will be granted but the provisions of the New Scheme shall remain in full force and effect in all other respects.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

As at 31 March 2002, the Company had 14,800,000 options outstanding which entitled the holder to subscribe for shares of the Company from 7 March 2000 to 6 March 2003. The exercise in full of the remaining outstanding share options would, under the present capital structure of the Company, result in the issue of 14,800,000 additional shares at an adjusted exercise price of HK\$0.18 each. No share option has been granted or exercised during the year.

### Substantial shareholders

At 31 March 2002, the following interests of 10% or more of the share capital of the Company were 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 (the "SDI Ordinance"):

<b>Name</b>	<b>Number of shares</b>	<b>Percentage</b>
Vandor Profits Limited ( <i>Note</i> )	2,430,660,545	30.1%

*Note:* Vandor Profits Limited ("Vandor") is beneficially owned by Mr. Wu Shaozhang.

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 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 SDI Ordinance, were as follows:

<b>Director</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>
Mr. Wu Shaozhang ( <i>Note</i> )	Corporate interest	2,430,660,545

*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.

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 interests 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

At no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any directors 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.

### Directors' interests in contracts

No director had a material beneficial interest in any contract of significance 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 31 to the financial statements, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### Directors' interests in a competing business

During the year and up to the date of this report, the directors considered that they have no interests in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

## PRACTICE NOTE 19 DISCLOSURE

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Practice Note 19 ("PN19") of the Listing Rules.

### Advances to an Entity (Paragraph 3.2.1 of PN19)

Details of the advances made by the Group to Qingyuan Rowa Electronics Co. Ltd. ("Qingyuan Rowa") and its affiliated companies, Guangdong Rowa Air-Conditioner Ltd. ("GD Rowa") and Taiyuan Caixing Electronics Equipment Co. Ltd. ("TY Caixing"), as at 31 March 2002 is as follows:

Affiliated companies	Percentage of interest attributable to the Group	Trade receivable HK\$'000 (A)	Guarantee	
			Given HK\$'000 (B)(a)	Utilised HK\$'000 (B)(b)
Qingyuan Rowa	50%	349,470	81,209	81,209
GD Rowa	40.1%	—	169,302	137,637
TY Caixing	37.5%	—	23,256	23,256
		349,470	273,767	242,102
<b>(A)+(B)(a)</b>		623,237		
<b>(A)+(B)(b)</b>		591,572		

Advances to the aforesaid affiliated companies were funded by internal resources and/or bank borrowings and were made for the purpose of providing investment fund and/or working capital.

All the said advances and guarantees were unsecured, interest-free and had no fixed repayment terms except for the trade receivable from Qingyuan Rowa having a credit term of 90 days.

**Financial Assistance and Guarantees to Affiliated Companies (Paragraph 3.3 of PN19)**

Details of the financial assistance provided to and guarantees given to affiliated companies by the Group are set out below:

Affiliated companies	Percentage of interest attributable to the Group	Trade receivable HK\$'000 (A)	Guarantee	
			Given HK\$'000 (B)(a)	Utilised HK\$'000 (B)(b)
Qingyuan Rowa and its affiliated companies	50%	349,470	273,767	242,102
Bateman Investments Ltd.	50%	11	—	—
Chang Hua Ltd.	50%	11	—	—
Eltic Electronics Company Ltd.	50%	—	32,050	30,344
Great Wall Electronics Ltd.	50%	—	30,100	19,776
Huifeng Electronics (China) Ltd.	25%	—	48,091	25,116
Kennedy Holdings Ltd.	50%	11	—	—
			349,503	317,338
			384,008	
<b>(A)+(B)(a)</b>		733,511		
<b>(A)+(B)(b)</b>				666,841

Relevant details in respect of the financial assistance provided to and guarantees given to Qingyuan Rowa and its affiliated companies are disclosed above under Paragraph 3.2.1 of PN19.

All the said financial assistance and guarantees were unsecured, interest-free and had no fixed repayment terms except for trade receivables from the affiliated companies having a credit term of 90 days.



A proforma combined balance sheet of the affiliated companies and the Group's attributable interests in these affiliated companies are presented below:

	<b>Proforma combined balance sheet HK\$'000</b>	<b>Group's attributable interest HK\$'000</b>
Non-current assets	605,858	266,134
Current assets	2,577,550	1,233,378
Current liabilities	(3,336,364)	(1,526,471)
Non-current liabilities	(5,260)	(2,630)
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Net liabilities	(158,216)	(29,589)
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### Breach of loan agreements (Paragraph 3.7.2 of PN19)

Details of the breach of the terms of the loan agreements entered into with a number of banks are set out in note 1 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 non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, 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 39 to the financial statements.

### Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

## 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

15 October 2002