

The directors submit their report together with the audited accounts for the year ended 31st March 2003.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the design, manufacture and sale of consumer audio-visual, telecommunication and plastic products.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 21.

The directors have declared an interim dividend of HK2.0 cents per ordinary share, totalling HK\$10,228,000, which was paid on 9th January 2003.

The directors recommend the payment of a final dividend of HK6.0 cents per ordinary share and a special dividend of HK5.0 cents per ordinary share, totalling HK\$56,252,000.

LIQUIDITY AND FINANCIAL RESOURCES

The continuous efforts of effective financial management, together with the earnings during the reviewed period, we were able to maintain a strong cash position. As at 31st March 2003, cash and deposits amounted to HK\$407 million. After deducting the interest bearing debts, we had a net surplus cash of HK\$284 million. To save interest expense, we settled the term loan of HK\$83 million in advance. This amount represented the outstanding balance of the HK\$250 million 3-year term loan facility obtained in October 2000.

Total interest bearing debts decreased from HK\$298 million to HK\$124 million. The gearing ratio remained at a low level. Total interest bearing debts as a ratio to shareholders' equity decreased further from 32% to 12%. All interest bearing debts are denominated in HK dollars and US dollars, therefore there is no exposure to foreign exchange fluctuations.

Despite the increase in sales volume, our sound cash management contributed to savings in interest expenses of HK\$8 million. In addition, our committed stock management efforts contributed to a reduction in the inventory level from HK\$510 million to HK\$422 million. Stock turnover days decreased from 52 days to 36 days.

During the year, we incurred a total capital expenditure of HK\$168 million, of which HK\$80 million was invested in Surface-Mount Technology (SMT) facilities. All capital investments were financed by internal resources.

Foreign exchange exposure is well managed, as nearly all sales and purchases of the Group are denominated in HK dollars and US dollars.

EMPLOYEES

As at 31st March 2003, we had approximately 12,000 employees in Hong Kong and the PRC. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. We also provide other benefits including medical insurance, provident fund and education subsidies to all eligible staff.

MAJOR SUPPLIERS AND CUSTOMERS

The purchases and sales attributable to the Group's major suppliers and customers expressed as a percentage of total purchases and sales of the Group for the year ended 31st March 2003 are as follows:

Purchases	
the largest supplier	9%
five largest suppliers combined	26%
Sales	
the largest customer	18%
five largest customers combined	69%

None of the directors, their associates or shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest at any time during the year in the major suppliers or customers noted above.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company are set out in note 11 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes of the Group are set out on page 55.

SHARE CAPITAL AND BONUS WARRANTS

Details of the movements in share capital and bonus warrants of the Company are set out in note 21 to the accounts.

BANK LOANS AND OTHER BORROWINGS

An analysis of bank loans and other borrowings at 31st March 2003 is set out below:

	Trust receipt loans		Obligations under finance leases		Bank loans	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	43,912	89,717	6,795	15,060	22,500	65,769
In the second year	–	–	2,812	6,793	37,500	98,028
In the third to fifth year	–	–	213	3,036	10,000	19,741
	43,912	89,717	9,820	24,889	70,000	183,538

PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

Details of the Company's principal subsidiaries and jointly controlled entity at 31st March 2003 are set out in notes 32 and 14 to the accounts respectively.

RETIREMENT BENEFIT SCHEMES

Details of the Company's retirement benefit schemes are set out in note 25 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2003 amounted to HK\$46,114,000 (2002: HK\$46,499,000), comprising retained earnings and contributed surplus.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 56.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

The directors during the year were:

Mr LEUNG Kai Ching, Kimen
Mr LEUNG Wai Sing, Wilson
Mr KUOK Kun Man, Andrew
Mr WONG Po Yan, G.B.M., J.P. *
The Hon LI Wah Ming, Fred, J.P. *
Mr LAU Wang Yip, Derrick *

* *Independent non-executive directors*

All directors retire in accordance with clause 87 of the Company's Bye-laws but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

On 1st April 2001, each of the executive directors entered into a service contract with the Company for a term of 3 years and shall continue until terminated by either party giving to the other not less than 6 months notice in writing.

The independent non-executive directors do not have any service contracts with the Company or its subsidiaries.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 11 and 12.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

CONNECTED TRANSACTIONS

Venturer Electronics Inc. ("Venturer") was a connected party to the Group in which a son of a director has beneficial interests in Venturer. On 31st August 2002, all beneficial interests of Venturer were disposed of by the son of the director to an independent third party. Since then, Venturer ceased to be a connected party to the Group.

During the year up to 31st August 2002, the Group sold goods totalling HK\$125,008,000 to Venturer. These transactions constituted connected transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The independent non-executive directors have reviewed these transactions and confirmed that these transactions were:

- (a) entered into in the ordinary and usual course of business of the Company;
- (b) entered into on normal commercial terms and on terms no less favourable than those available to independent third parties;
- (c) fair and reasonable so far as the shareholders of the Company are concerned; and
- (d) the aggregate value of sales to Venturer Electronics Inc. for the year ended 31st March 2003 did not exceed 9% of the total turnover of the Group.

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 31st March 2003, the directors, chief executives and their associates had the following interests in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which require notification pursuant to Section 28 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:

	Number of ordinary shares beneficially held			
	Personal interest	Corporate interest	Family interest	Total
Mr LEUNG Kai Ching, Kimen	17,200,000	35,356,000 (note a)	–	52,556,000
Mr LEUNG Wai Sing, Wilson	42,400,000	–	170,018,000 (note b)	212,418,000
Mr KUOK Kun Man, Andrew	2,392,000	–	–	2,392,000
	Number of bonus warrants beneficially held			
	Personal interest	Corporate interest	Family interest	Total
Mr LEUNG Kai Ching, Kimen	1,000,000	3,535,600 (note a)	–	4,535,600
Mr LEUNG Wai Sing, Wilson	4,240,000	–	17,001,800 (note b)	21,241,800
Mr KUOK Kun Man, Andrew	429,200	–	–	429,200

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES *(continued)*

Note:

- (a) These shares and bonus warrants are owned by Shunde Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr LEUNG Kai Ching, Kimen is the sole shareholder.
- (b) These shares and bonus warrants are owned by Kimen Leung UT Limited, a company incorporated in the British Virgin Islands as the trustee of The Kimen Leung Unit Trust which is beneficially owned by The Kimen Leung Family Trust. Mr LEUNG Wai Sing, Wilson and other family members of Mr LEUNG Kai Ching, Kimen are the beneficiaries of The Kimen Leung Family Trust which is a discretionary trust.

Save as disclosed above and other than one ordinary share each in the Hong Kong incorporated subsidiaries of the Company held in trust for the Group by Mr LEUNG Kai Ching, Kimen, none of the directors, chief executives or their associates had any beneficial or non-beneficial interests in the share capital of the Company or its associated corporations required to be disclosed pursuant to the SDI Ordinance and the Model Code.

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Share options were granted to directors and employees under the Share Option Scheme ("the Scheme") approved by shareholders at a Special General Meeting on 6th November 1992. No share options were granted to any directors under the Scheme during the year and there were no outstanding options as at 5th November 2002, when the Scheme lapsed.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31st March 2003, according to the register of interests kept by the Company under Section 16(1) of the SDI Ordinance, the shareholders who had or were deemed to have interest in 10% or more of the Company's issued share capital:

Name	Number of ordinary shares beneficially held	Number of bonus warrants beneficially held
Kimmen Leung UT Limited	170,018,000	17,001,800

Save as disclosed above, no person was recorded in the register as having an interest amounting to 10% or more of the issued share capital of the Company as at 31st March 2003.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company has complied with the Code of Best Practice except that independent non-executive directors are not appointed for a specific term as recommended under Appendix 14 of the Listing Rules. According to the Bye-laws of the Company, independent non-executive directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election. In the opinion of the Company, this meets the same objective as the Code of Best Practice.

AUDIT COMMITTEE

The written terms of reference which describe 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. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The committee comprises three independent non-executive directors, namely Mr WONG Po Yan, G.B.M., J.P., the Hon LI Wah Ming, Fred, J.P. and Mr LAU Wang Yip, Derrick. The audit committee has reviewed the financial statements of the Group for the year ended 31st March 2003.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 15th July 2003