

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the design and manufacture of electrical appliances and the trading of merchandise. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 18 to 59.

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

Financial summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published financial statements and reclassified as appropriate, is set out below:

Results

	2003	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	221,130	212,683	205,174	261,503	190,104
Net profit/(loss) from ordinary activities attributable to shareholders	4,220	(15,770)	(23,651)	(16,126)	(36,105)

Assets, Liabilities and Minority Interests

Total assets	206,056	206,830	231,520	288,407	282,351
Total liabilities	(51,612)	(56,772)	(65,224)	(92,454)	(95,222)
Minority interests	(84)	(32)	(24)	(7,539)	(2,513)
	154,360	150,026	166,272	188,414	184,616

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Fixed assets and investment property

Details of movements in the fixed assets and investment property of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

Share capital and share options

Details of the Company's share capital and the movements in the share options during the year, together with reasons therefor, are set out in notes 26 and 27 to the financial statements.

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 of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

At 31 March 2003, the Company had no reserve available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended). However, the Company's share premium account, in the amount of HK\$103,948,000, may be distributed in the form of fully paid bonus shares.

Employees and remuneration policy

The Group employs a total of 1,866 (2002: 1,726) employees in Hong Kong and Mainland China. The Group regularly reviews its employees' pay levels and its performance bonus system to ensure that the remuneration policy is competitive within the relevant industries.

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Major customers and suppliers

In the year under review, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's total turnover and total purchases, respectively, for the year.

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 customers and five largest suppliers.

Orders on hand

At the date of this report, the Group had outstanding orders on hand valued at approximately HK\$67 million. This is equivalent to approximately three months' business volume of the Group. The directors regard this level of orders as satisfactory and they are confident that work orders can be maintained at this level.

Directors

The directors of the Company during the year were:

Executive directors:

Kwok Hon Ching (*Chairman*)

Kwok Hon Lam (*Chief Executive Officer*)

Kwok Hon Kau, Johnny

Chau Kwok Wai

Non-executive director:

Lee Ho Man, Eric

Independent non-executive directors:

Chow Cheuk Lap

Wong Lung Tak, Patrick

In accordance with articles 86 and 87 of the Company's bye-laws, Messrs. Kwok Hon Kau, Johnny and Lee Ho Man, Eric will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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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 12 to 13 of the annual report.

Directors' service contracts

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 March 2003, the interests of the directors in the share capital of the Company or 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:

Ordinary shares of the Company

Name of director	Notes	Number of shares held and nature of interest	
		Personal	Other
Kwok Hon Ching	(a), (c)	8,900,000	150,000,000
Kwok Hon Kau, Johnny	(b), (c)	8,900,000	150,000,000
Kwok Hon Lam	(c)	8,900,000	75,000,000
Lee Ho Man, Eric		2,000,000	—
Chau Kwok Wai		1,000,000	—

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Directors' interests in shares *(Continued)*

The interests of the directors in the share options of the Company are separately disclosed in note 27 to the financial statements.

Notes:

- (a) 75,000,000 shares are held by Saramade Company Limited, a trustee of a unit trust owned by a discretionary trust established for the benefit of the family members of Mr. Kwok Hon Ching.
- (b) 75,000,000 shares are held by Prominent Field Inc., a trustee of a unit trust owned by a discretionary trust established for the benefit of the family members of Mr. Kwok Hon Kau, Johnny.
- (c) 75,000,000 shares are held by Armstrong Inc., a trustee of a unit trust owned by a discretionary trust established for the benefit of the family members of Madam Hui Mei Heung, including Messrs. Kwok Hon Ching, Kwok Hon Lam and Kwok Hon Kau, Johnny.

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 in the share option scheme disclosures in note 27 to the financial statements, 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

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option scheme are now included in note 27 to the financial statements.

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Substantial shareholders

At 31 March 2003, the following interests of 10% or more of the issued share capital of the Company were 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 the Company's issued share capital
Saramade Company Limited	75,000,000	16.4
Prominent Field Inc.	75,000,000	16.4
Armstrong Inc.	75,000,000	16.4

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" above, 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the accounting period covered by the annual report, except that the independent 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 bye-laws of the Company.

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 two independent non-executive directors and a non-executive director of the Company.

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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

Kwok Hon Ching

Chairman

Hong Kong, 25 July 2003