

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 30 April 2001.

Principal activities

The principal activity of the Company is investment holding. The subsidiaries of the Company are mainly engaged in the manufacture and sale of electrical adapters, transformers and related accessories, plastic moulds and electrical products. There were no significant changes in the nature of the Group's principal activities during the year.

Segmental information

An analysis of the Group's turnover and contribution by principal activity and geographical area of markets is set out in note 4 to the financial statements.

Results and dividends

The Group's loss for the year ended 30 April 2001 and the state of affairs of the Company and of the Group as at 30 April 2001 are set out in the financial statements on pages 16 to 48.

The directors do not recommend the payment of any dividends in respect of the year ended 30 April 2001.

Summary financial information

A summary of the published consolidated/combined results and assets and liabilities of the Group for the last five financial years is set out on page 49 of the annual report. This summary does not form part of the financial statements.

Fixed assets

Details of movements in the fixed assets of the Group are set out in note 11 to the financial statements.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 13 to the financial statements.

Associate

Particulars of the Group's associate are set out in note 14 to the financial statements.

Borrowings

Details of the Group's borrowings at the balance sheet date are set out in notes 21, 22 and 28 to the financial statements.

Share capital and share options

Details of movements in the Company's share capital and share options during the year are set out in note 24 to the financial statements.

Reserves

Details of movements in the reserves of the Company and of the Group are set out in note 25 to the financial statements.

Distributable reserves

As at 30 April 2001, the Company had no retained profits available for distribution. In accordance with the Companies Act 1981 of Bermuda, the contributed surplus of the Company in the amount of HK\$44,942,000 at the balance sheet date may be distributed to shareholders in certain circumstances prescribed by Section 54 thereof. In addition, the Company's share premium account with a balance of HK\$145,422,000 may be distributed in the form of fully paid bonus shares.

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

During the year, the Company repurchased certain of its own shares of HK\$0.01 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The details of these transactions are as follows:

| Month of repurchase | Number of ordinary shares repurchased '000 | Price per share | | Total price paid HK\$'000 |
|---------------------|---|-----------------|----------------|---------------------------------|
| | | Highest HK\$ | Lowest HK\$ | |
| December 2000 | 15,000 | 0.100 | 0.094 | 1,480 |
| February 2001 | 9,200 | 0.084 | 0.067 | 698 |
| April 2001 | 23,520 | 0.044 | 0.037 | 931 |
| | <u>47,720</u> | | | <u>3,109</u> |

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK\$2,632,000 has been charged to the share premium account. An amount of HK\$477,000 equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Further details of these transactions are set out in note 24 to the financial statements. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

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Pension scheme

Details of the Group's pension schemes and the employee'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 30 April 2001 for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the laws of Hong Kong.

Major customers and suppliers

The Group's sales to its five largest customers accounted for 60% of the Group's turnover for the year, and the Group's sales to the largest customer included therein amounted to 28%.

The Group's purchases from its five largest suppliers accounted for 27% of the Group's purchases for the year and the Group's purchases from the largest supplier included therein amounted to 10%.

As far as the directors are aware, neither the directors, their respective associates, nor any of the 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/or five largest suppliers.

Directors

The directors of the Company during the year were as follows:

Executive directors:

| | |
|----------------------------|------------------------------|
| Mr. Lo Wai Shing, Felix | (appointed on 7 August 2000) |
| Mr. Ho Wing Yuk | |
| Mr. Lau Kevin | (appointed on 22 June 2000) |
| Ms. Leung Wai Kuen, Cerene | (appointed on 7 August 2000) |
| Mr. Wong Man Yat, Raymond | (appointed on 8 March 2001) |
| Mr. Cheung Fong Chau, Alan | (resigned on 1 August 2000) |
| Mr. So Hin Wah | (resigned on 8 March 2001) |
| Mr. Wong Sai Chung | (resigned on 19 March 2001) |

Independent non-executive directors:

| | |
|--------------------------|-----------------------------|
| Mr. Chu Chin Fan | (appointed on 8 March 2001) |
| Mr. Yeong Yun Hong, Gary | (appointed on 8 March 2001) |
| Mr. Chan Antonio | (resigned on 7 March 2001) |
| Professor Woo Chia Wei | (resigned on 7 March 2001) |
| Mr. Ho Kin Yip, Eddy | (resigned on 8 March 2001) |

In accordance with rule 87(1) of the Company's bye-laws, Ms. Leung Wai Kuen, Cerene will retire by rotation and, being eligible, offers herself for re-election at the forthcoming annual general meeting.

In accordance with rule 86(2) of the Company's bye-laws, Mr. Wong Man Yat, Raymond, Mr. Chu Chin Fan and Mr. Yeong Yun Hong, Gary will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

Biographical details of directors

Biographical details of the directors of the Company are set out on page 7 of the annual report.

Remuneration of the directors and the five highest paid employees

Details of the remuneration of the directors and the five highest paid employees of the Group are set out in note 7 to the financial statements.

Directors' service contracts

Mr. Ho Wing Yuk, an executive director, has entered into a service agreement with the Company for an initial term of two years commencing from 2 December 1998 which continues thereafter until termination by either party giving not less than six calendar months' prior notice in writing to the other party.

Mr. Yeong Yun Hong, Gary, an independent non-executive director, has entered into a service agreement with the Company for an initial term of one year commencing from 8 March 2001.

Apart from the foregoing, no director proposed for re-election or re-appointment 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 30 April 2001, the interests of the directors or their respective associates in the share capital of the Company or its associated corporations as recorded in the register that is required to be maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as set out below:

Interests in shares of the Company

| Director | Type of interest | Number of ordinary shares of HK\$0.01 each in the Company |
|-------------------------|-------------------------|--|
| Mr. Lo Wai Shing, Felix | Corporate | *754,440,000 |
| Mr. Ho Wing Yuk | Personal | 311,960,000 |

- * The 754,440,000 shares are held by HK Sky Entertainment Holdings Limited ("Sky Entertainment") as to 706,900,000 shares and Sunstar Technology Limited ("Sunstar") as to 47,540,000 shares. Mr. Lo Wai Shing, Felix holds 100% and 54% beneficial interests in these two companies, respectively.

Pursuant to an agreement dated 24 May 2000 between the Company, MAE Investments Limited ("MIL"), a wholly-owned subsidiary of the Company, and Sky Entertainment, a company controlled by Mr. Lo Wai Shing, Felix, the Company, through MIL, acquired 40% equity interest in HK Sky Home Limited ("Sky Home") from Sky Entertainment at the consideration of HK\$50,025,000. The consideration was satisfied by the issuance and allotment of 435,000,000 shares of the Company at the issue price of HK\$0.115 per share. Sky Home is principally engaged in trading of home related products.

On 14 July 2000, Mr. Cheung Fong Chau, Alan, a director of the Company who resigned on 1 August 2000, disposed of 300,000,000 shares of the Company to Sky Entertainment, a company controlled by Mr. Lo Wai Shing, Felix.

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Directors' interests in share capital (continued)

Interests in shares of an associate

Mr. Lo Wai Shing, Felix is also the beneficial owner of Sky Entertainment, which holds 60% equity interest in Sky Home, an associate of the Group.

Save as disclosed above, none of the directors or their respective associates has any personal, family, corporate or other interest in the ordinary share of the Company or its associated corporations, as defined in the SDI Ordinance.

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 Group to which the Company or any of its subsidiaries was a party during the year.

Directors' rights to acquire shares

Pursuant to the Company's share option scheme dated 10 November 1998, the board of directors may, on or before 9 November 2008, at their discretion, invite any directors of the Company and employees of the Group to take up share options to subscribe for shares in the Company. Further details of the share option scheme are set out in note 24 to the financial statements.

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Directors' rights to acquire shares (continued)

Details of movements in the share options held by the directors during the year and the balances that remained outstanding at the balance sheet date were as follows:

| Name of director | Number of share options | | | | Exercise period of share options | Exercise price of share options HK\$ |
|--------------------|--------------------------|-------------------------|------------------------|--------------------|------------------------------------|--------------------------------------|
| | At the beginning of year | Granted during the year | Lapsed during the year | At the end of year | | |
| Mr. So Hin Wah | 8,250,000 | – | (8,250,000) | – | 12 October 1999 to 9 November 2008 | 0.210 |
| | – | 6,400,000 | (6,400,000) | – | 24 June 2000 to 9 November 2008 | 0.090 |
| Mr. Ho Wing Yuk | 8,250,000 | – | – | 8,250,000 | 12 October 1999 to 9 November 2008 | 0.210 |
| | – | 6,400,000 | – | 6,400,000 | 24 June 2000 to 9 November 2008 | 0.090 |
| Mr. Wong Sai Chung | 4,500,000 | – | (4,500,000) | – | 12 October 1999 to 9 November 2008 | 0.210 |
| | 2,082,500 | – | (2,082,500) | – | 28 January 2000 to 9 November 2008 | 0.176 |
| | – | 6,400,000 | (6,400,000) | – | 24 June 2000 to 9 November 2008 | 0.090 |
| Mr. Lau Kevin | – | 12,800,000 | – | 12,800,000 | 24 June 2000 to 9 November 2008 | 0.090 |
| | <u>23,082,500</u> | <u>32,000,000</u> | <u>(27,632,500)</u> | <u>27,450,000</u> | | |

The share options previously granted to Mr. So Hin Wah and Mr. Wong Sai Chung lapsed upon their resignation as directors of the Company during the year.

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

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Substantial shareholders

Apart from the interests of Mr. Ho Wing Yuk and Sky Entertainment in the issued share capital of the Company, as disclosed in the "Directors' interests in share capital" section above, no person had registered an interest amounting to 10% or more of the issued share capital of the Company at the date of this report, pursuant to Section 16(1) of the SDI Ordinance.

Post balance sheet event

Details of the significant post balance sheet event of the Group are set out in note 29 to the financial statements.

Compliance with the 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), throughout the accounting period covered by the annual report, except that certain of the independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

Audit committee

The Company established an audit committee (the "Committee") on 24 January 2000, with written terms of reference in compliance with the Code of Best Practice. The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Group. The Committee comprises two independent non-executive directors. The Group's financial statements for the year ended 30 April 2001 have been reviewed by the Committee, who are of the opinion that these statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

Auditors

The accounts for the three years ended 30 April 2000 were audited by PricewaterhouseCoopers which resigned as auditors of the Company during the year and Ernst & Young were appointed as auditors of the Company to fill the casual vacancy arising.

The accounts for the year under review have been audited by Ernst & Young, Certified Public Accountants. Ernst & Young will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as the auditors of the Company will be proposed at the said meeting.

On behalf of the Board

Lo Wai Shing, Felix
Chairman

Hong Kong, 24 August 2001