

Directors' Report

The directors of the Company have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st March, 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries during the year were property investment and development in Mainland China.

RESULTS

The results of the Group for the year ended 31st March, 2002 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 20 to 49.

DIVIDEND

The directors do not recommend the payment of a dividend and proposed that the profit for the year be retained.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the financial statements. There was no movement in the Company's share capital during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

MAJOR PROPERTIES

Particulars of the Group's major properties held for development and completed properties held for sale are set out on page 50.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

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DONATIONS

During the year, the Group made charitable and other donations amounting to 73,600 (2001: HK\$90,000).

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 51 to 53.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Mr. Lee Lap
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

Independent Non-Executive Directors

Dr. Lee Tung Hai, Leo, G.B.S., LL.D., J.P.
Mr. Lee Ka Sze, Carmelo

In accordance with the Company's Bye-laws, Dr. Lee Tung Hai, Leo, shall retire from the board by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Lee Lap, aged 59, is the Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has been actively involved in the printed circuit board and electronics industry in Hong Kong since 1968. Mr. Lee is responsible for overall policy and decision making and business development of the Group. Mr. Lee is an honorary citizen of Zhongshan, Shenzhen and Guangzhou of the PRC.

Madam Leung Lai Ping, aged 53, is the wife of Mr. Lee Lap. She has been involved in overall policy and decision making and general administration of the Group since 1968.

Mr. Wong Shiu Kee, aged 38, is the Finance Director of the Company. He first joined the Company in 1991 and rejoined the Company in October, 2000. With over 16 years of experience in financial management, he is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants, and is also a qualified Chartered Secretary designated as ACIS and ACS.

Independent Non-executive Directors

Dr. Lee Tung Hai, Leo, G.B.S, LL.D, J.P., aged 80, is the Chairman of Tung Tai Group of Companies and a non-executive director of several public listed companies in Hong Kong, including Beijing Enterprises Holdings Limited. He is a member of a number of public services committees and heads many social service organizations, including as an Adviser of the Advisory Board of the Tung Wah Group of Hospitals, Chairman of Association of Chairmen of Tung Wah Group of Hospitals, Chairman of Friends of Hong Kong Association and Vice President of the China Overseas Friendship Association. Dr. Lee is a member of the Standing Committee of the National Committee of The Chinese People's Political Consultative Conference. He served as an Adviser on Hong Kong Affairs to Hong Kong & Macau Affairs Office of the State Council and Xinhua News Agency, Hong Kong Branch; a member of the Preparatory Committee for the Hong Kong Special Administrative Region; and a member of the Hong Kong Special Administrative Region Selection Committee. He has been honoured with awards by different governments, which include Cavaliere di Gran Croce of Italy, O.B.E. of Great Britain, Chevalier Legion d'Honneur of France, Commandeur de l'Ordre de Leopold II of Belgium and Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Dr. Lee has over 40 years of experience in business management.

Mr. Lee Ka Sze, Carmelo, aged 42, has been an independent non-executive director of the Company since March, 1997. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and a partner of Woo, Kwan, Lee & Lo.

Directors' Report

SENIOR MANAGEMENT

The directors are closely involved in and are directly responsible for all activities of the Group. The board of directors considers that only the above-mentioned three Executive Directors are members of the Group's senior management.

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of directors and senior employees are set out in note 12 to the financial statements.

PARTICULARS OF INTERESTS IN SECURITIES HELD BY DIRECTORS, CHIEF EXECUTIVES AND THEIR ASSOCIATES

As at 31st March, 2002, the beneficial interests of the Company's directors, chief executives and their associates in the shares of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:-

(a) Interests in shares of the Company

Name of directors	Number of ordinary shares of HK\$0.08 each held			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. Lee Lap	37,500,000	–	884,752,780	–
Mdm. Leung Lai Ping	37,500,000	884,752,780	–	–

Mr. Lee Lap and his spouse, Mdm. Leung Lai Ping, are the beneficial owners of the issued share capital of Lee & Leung (B.V.I.) Limited. The shares included under family interest and corporate interest refer to the shares held by Lee & Leung (B.V.I.) Limited.

PARTICULARS OF INTERESTS IN SECURITIES HELD BY DIRECTORS, CHIEF EXECUTIVES AND THEIR ASSOCIATES (continued)

(b) Interests in shares of associated corporations

Name of directors	Name of subsidiary	Number of non-voting deferred shares held
Mr. Lee Lap	Applied Industrial Company Limited	1,000
	Lee Plastics Manufacturing Company Limited	250,000
	Magnetic Electronics Limited	5,000
	Termbray Electronics Company Limited	7,000
Mdm. Leung Lai Ping	Applied Industrial Company Limited	1,500
	Lee Plastics Manufacturing Company Limited	250,000
	Termbray Electronics Company Limited	3,000

(c) Interests in share options granted by the Company

Name of directors	Number of share options granted during the year (Note)	Number of share options exercised during the year	Number of share options held at 31st March, 2002
Mr. Lee Lap	30,000,000	–	30,000,000
Mdm. Leung Lai Ping	30,000,000	–	30,000,000

Note: These share options were granted at an aggregate consideration of HK\$2 on 31st August, 2001 under the share option scheme approved by the shareholders of the Company on 22nd August, 2001 and are exercisable at HK\$0.261 per share at any time between 1st October, 2001 and 30th September, 2006.

Apart from the aforementioned share options granted to directors of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company 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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PARTICULARS OF INTERESTS IN SECURITIES HELD BY DIRECTORS, CHIEF EXECUTIVES AND THEIR ASSOCIATES (continued)

Saved as disclosed herein and except for shares in the subsidiaries held by a director in trust for their immediate holding companies, as at 31st March, 2002, none of the directors or chief executive of the Company had any interest in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group had entered into transactions with Panda Investment Company Limited ("Panda Investment") as described in note 31 to the financial statements. Mr. Lee Lap and Mdm. Leung Lai Ping have controlling interests in Panda Investment.

Save as aforementioned, no other contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party or were parties 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

Pursuant to paragraph 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company discloses that Mr. Lee Lap and Mdm. Leung Lai Ping are interested in companies engaged in property investment and development in Mainland China and Hong Kong ("Competing Business").

The board of directors of the Company has established procedures to identify any conflict of interest due to the interests of Mr. Lee Lap and Mdm. Leung Lai Ping. If conflict of interest arises, Mr. Lee Lap and Mdm. Leung Lai Ping will abstain from participating in making any decision. The Company is therefore capable of carrying on its business independently of, and at arm's length from the Competing Business.

MANAGEMENT CONTRACTS

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

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SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, the persons interested in 10% or more of the issued share capital of the Company as recorded in the register kept under Section 16(1) of the SDI Ordinance were as follows:

Name of shareholders	Number of ordinary shares of HK\$0.08 each held
Mr. Lee Lap	922,252,780
Mdm. Leung Lai Ping	922,252,780
Lee & Leung (B.V.I.) Limited*	884,752,780

* Lee & Leung (B.V.I.) Limited is beneficially owned by Mr. Lee Lap and his spouse, Mdm. Leung Lai Ping, and its interest in the issued share capital of the Company is included in the interests held by Mr. Lee Lap and Mdm. Leung Lai Ping respectively.

SHARE OPTION SCHEMES

A share option scheme of the Company was adopted on 28th September, 1991 ("Old Scheme") whereby the directors of the Company may offer to any full-time employee, including executive directors, of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares quoted on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time. The offer of a grant of share option may be accepted within 28 days from the date of the offer together with the payment of nominal consideration of HK\$1.00 by the grantee. The exercisable period is determinable by the directors which will not exceed a period of 3 years commencing on the expiry of 6 months after the acceptance of the option or 27th September, 2001 whichever is the earlier.

According to the terms of the Old Scheme, the Old Scheme would expire on 27th September, 2001. The shareholders in the general meeting held on 22nd August, 2001 approved the early termination of the Old Scheme and the adoption of a new share option scheme ("New Scheme").

During the year, no option was granted, exercised, lapsed or cancelled pursuant to the Old Scheme.

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SHARE OPTION SCHEMES (continued)

The New Scheme was adopted as an incentive to the employees of Group. The directors may, at their discretion, invite full time employees including executive directors of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the directors which will be the higher of a price being not less than 80% of the average closing prices of the shares of the Company on the five trading days immediately preceding the date on which the option is offered or the nominal value of the shares. The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised or cancelled and shares in respect of which any options remain outstanding) under the New Scheme and any other share option schemes (excluding the Old Scheme) will not exceed 10% of the issued share capital of the Company from time to time, excluding any shares issued on exercise of options granted pursuant to the New Scheme. No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares, exceeding 25% of the aggregate number of shares for the time subject to the New Scheme. The offer of a grant of share option may be accepted within 28 days from the date of offer with a payment of nominal consideration of HK\$1.00 by the grantee. Each option gives the holder the right to subscribe for one share at the relevant exercise price. The exercisable period of an option should not exceed a period of five years commencing on the expiry of a period of not less than one month after the option is accepted. Full amount of the subscription price of the shares must be paid upon the exercise of options.

The New Scheme will remain in force for a period of ten years commencing on 22nd August, 2001.

On 31st August, 2001, the Company granted pursuant to the New Scheme to each of Mr. LEE Lap and Mdm. LEUNG Lai Ping, both being the directors of the Company, options to subscribe for 30,000,000 shares at an exercise price of HK\$0.261 per share exercisable at any time between 1st October, 2001 to 30th September, 2006. The closing price of the share immediately before the date on which the options were granted was HK\$0.34. The directors do not consider it appropriate to state the value of the share options granted. The generally accepted pricing models value options that are transferable which is not permitted under the New Scheme. The directors believe that the calculation of the value of the share options on such bases and assumptions would not be meaningful and would be misleading to the shareholders.

No option was exercised, lapsed or cancelled during the year. All the said options granted under the New Scheme to subscribe for 60,000,000 shares remained outstanding as at 31st March, 2002.

16 The Stock Exchange amended the Listing Rules governing share option schemes. The new requirements have come into effect on 1st September, 2001 and render some of the provisions of the New Scheme no longer applicable.

PROVIDENT FUND SCHEME

The Group has a mandatory provident fund scheme ("MPF Scheme") managed by a banking group. All staff employed in Hong Kong joined the MPF Scheme. The MPF Scheme is a defined contribution scheme and the assets of which are held separately from those of the Group in independently administered funds. Both of the employer and the employee are required to make mandatory contributions to the MPF Scheme calculated at 5% of the employee's monthly relevant income, subject to the rules and regulations of the Mandatory Provident Fund Schemes Ordinance.

The contributions made by the Group charged to the income statement in respect of the year are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross employers' contributions	119	67
<i>Less:</i> Forfeited contributions	-	(19)
Net contributions	119	48

As at 31st March, 2002, the Group had no forfeited contributions (2001: Nil) available to offset future employers' contributions to the MPF Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

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CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

In addition, the Company has established an Audit Committee comprising the two independent non-executive directors for review and supervision of the Group's financial reporting process and internal controls.

AUDITORS

The financial statements for the three years ended 31st March, 2002 were audited by Messrs. Deloitte Touche Tohmatsu. A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

Lee Lap

Chairman & CEO

Hong Kong, 5th July, 2002