

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 30 April 2002.

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 adaptors, 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.

Segment information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 30 April 2002 is set out in note 4 to the financial statements.

Results and dividends

The Group's loss for the year ended 30 April 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 19 to 58.

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

Summary financial information

A summary of the published consolidated/combined results and assets and liabilities of the Group for the last five financial years, as extracted from the prospectus dated 17 November 1998 and the respective audited financial statements, and reclassified as appropriate, is set out on pages 59 and 60 of the annual report. This summary does not form part of the audited financial statements.

Fixed assets and investment properties

Details of movements in the fixed assets and investment properties of the Group are set out in note 13 to the financial statements.

Share capital and share options

Details of movements in the Company's share capital, together with the reasons therefor, and details of the Company's share option scheme are set out in note 26 to the financial statements and disclosed under the heading "Share option scheme" below.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the Companies Act 1981 of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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Purchase, redemption or sale of the Company's 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\$	
September 2001	19,440	0.065	0.057	1,173

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\$979,000 has been charged to the share premium account.

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 26 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.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements.

Distributable reserves

At 30 April 2002, the Company had no retained profits available for distribution. In accordance with the Companies Act 1981 of Bermuda, the Company's contributed surplus in the amount of HK\$44,942,000 at the balance sheet date may be distributed to shareholders in certain circumstances. In addition, the Company's share premium account with a balance of HK\$158,744,000 may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

In the year under review, the Group's sales to the five largest customers accounted for 56% of the Group's sales for the year and the Group's sales to the largest customer included therein amounted to 29%. The Group's purchases from the five largest suppliers accounted for less than 30% of the Group's purchases for the year.

None of the directors of the Company or any of their associates or any shareholders of the Company (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.

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Directors

The directors of the Company during the year were:

Executive directors:

Mr. Lo Wai Shing, Felix
Mr. Ho Wing Yuk (resigned on 11 March 2002)
Mr. Lau Kevin
Ms. Leung Wai Kuen, Cerene
Mr. Wong Man Yat, Raymond

Independent non-executive directors:

Mr. Chu Chin Fan
Mr. Yeong Yun Hong, Gary

Subsequent to the balance sheet date, on 24 June 2002, Mr. Yeung Kwok Biu, Johnson was appointed as an executive director of the Company. On 31 July 2002, Mr. Wong Man Yat, Raymond resigned as an executive director of the Company.

In accordance with rule 87(1) of the Company's bye-laws, Mr. Lau Kevin and Mr. Chu Chin Fan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with rule 86(2) of the Company's bye-laws, Mr. Yeung Kwok Biu, Johnson will offer himself for reappointment at the forthcoming annual general meeting.

Biographical details of directors

Biographical details of the directors of the Company are set out on page 9 of the annual report.

Directors' service contracts

Mr. Ho Wing Yuk, who resigned as an executive director on 11 March 2002, had entered into a service agreement with the Company for an initial term of two years commencing from 2 December 1998, which continued thereafter until his resignation.

Mr. Chu Chin Fan and Mr. Yeong Yun Hong, Gary, independent non-executive directors, have separately entered into service agreements with the Company for an initial term of one year commencing from 8 March 2001 which continue thereafter until termination by either party giving not less than six calendar months' prior notice in writing to the other party.

Apart from the foregoing, no director proposed for re-election or reappointment 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.

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Directors' interests in contracts

No director had a material beneficial 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 30 April 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 Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

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	908,440,000*

* The 908,440,000 shares are held by HK Sky Entertainment Holdings Limited ("Sky Entertainment") as to 860,900,000 shares and Sunstar Technology Limited as to 47,540,000 shares. Mr. Lo Wai Shing, Felix holds 100% and 54% beneficial interests in these two companies, respectively.

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 HK Sky Home Limited, an associate of the Group.

Save as disclosed above, none of the directors or their respective associates has 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 or debentures

Apart from as disclosed under the heading "Share option scheme" below, 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, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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Share option scheme

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the full-time employees (including executive directors) of the Company or any of its subsidiaries. The Scheme became effective on 10 November 1998 and will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 30 April 2002, the number of shares issuable under share options granted under the Scheme was 21,740,000, which represented approximately 1% of the Company’s shares in issue as at that date. There is no limit on the maximum number of shares issuable under share options to each eligible participant in the Scheme.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors at their discretion based on the higher of 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the offer date, and the nominal value of the Company’s shares.

Pursuant to the amendments (the “New Rules”) to Chapter 17 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange, any options granted after 1 September 2001 must comply with the provisions of the New Rules. If the Company wishes to grant options to its directors or other eligible participants in the future, a new share option scheme in compliance with the New Rules must be approved and adopted by the shareholders of the Company in a general meeting. A new share option scheme in compliance with the New Rules is proposed to be adopted in a forthcoming period.

At 1 May 2001, the total number of share options previously granted by the Company under the Scheme to certain directors and full-time employees of the Group was 47,270,000. No further share options were granted during the year.

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Share option scheme (continued)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	At 1 May 2001	Number of share options		At 30 April 2002	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$	Price of Company's shares at exercise date of options* HK\$
		Exercised during the year	Lapsed during the year@					
Directors								
Mr. Ho Wing Yuk	8,250,000	-	(8,250,000)	-	12 October 1999	12 October 1999 to 9 November 2008	0.210	-
	6,400,000	-	(6,400,000)	-	24 June 2000	24 June 2000 to 9 November 2008	0.090	-
Mr. Lau Kevin	12,800,000	-	-	12,800,000	24 June 2000	24 June 2000 to 9 November 2008	0.090	-
	<u>27,450,000</u>	<u>-</u>	<u>(14,650,000)</u>	<u>12,800,000</u>				
Other employees, aggregate								
	6,400,000	-	(2,500,000)	3,900,000	3 September 1999	3 September 1999 to 9 November 2008	0.107	-
	600,000	-	(200,000)	400,000	14 February 2000	14 February 2000 to 9 November 2008	0.180	-
	4,020,000	(1,560,000)	(1,860,000)	600,000	29 June 2000	29 June 2000 to 9 November 2008	0.090	0.171
	2,120,000	-	(760,000)	1,360,000	3 July 2000	3 July 2000 to 9 November 2008	0.090	-
	6,680,000	-	(4,000,000)	2,680,000	5 July 2000	5 July 2000 to 9 November 2008	0.090	-
	<u>19,820,000</u>	<u>(1,560,000)</u>	<u>(9,320,000)</u>	<u>8,940,000</u>				
	<u>47,270,000</u>	<u>(1,560,000)</u>	<u>(23,970,000)</u>	<u>21,740,000</u>				

@ The share options previously granted to Mr. Ho Wing Yuk and certain employees lapsed upon their resignations.

* The price of the Company's shares disclosed as at the date of exercise of the share options is the weighted average closing prices of the Stock Exchange over all of the exercises of options within the disclosure category.

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Share option scheme (continued)

No share options were cancelled during the year.

Subsequent to the balance sheet date, 960,000 share options with an exercise price of HK\$0.09 previously granted to the Group's employees lapsed upon their resignations. On 30 May 2002, 1,100,000 share options were exercised at an exercise price of HK\$0.09.

Substantial shareholders

Apart from the interests of Sky Entertainment in the issued share capital of the Company, as disclosed in the "Directors' interests in shares" section above, no person 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 Listing Rules on the Stock Exchange, throughout the accounting period covered by the annual report.

Audit committee

The Company has an audit committee (the "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 Committee comprises the two independent non-executive directors of the Company. The Group's financial statements for the year ended 30 April 2002 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

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Auditors

During the year ended 30 April 2001, PricewaterhouseCoopers resigned as auditors of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. Save as aforesaid, there have been no other changes of auditors in the past three years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lo Wai Shing, Felix

Chairman

Hong Kong

23 August 2002