

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 Group consist of the marketing and distribution of electronic components, and design, manufacture and original equipment manufacture of electronic products and Internet appliances. There were no 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 as at that date are set out in the financial statements on pages 14 to 62.

An interim dividend of HK1 cent per ordinary share was paid on 6 December 2002. The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year to shareholders on the register of members on 28 August 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons thereof, are set out in notes 31 and 32 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law (2002 Second Revision) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2003, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law (2002 Second Revision) of the Cayman Islands, amounted to HK\$145,286,000, of which HK\$3,615,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account in the amount of HK\$139,366,000 may be distributed in the form of fully paid bonus shares.

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SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the respective audited financial statements and restated as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the prior year adjustment as detailed in note 26 to the financial statements.

RESULTS

| | Year ended 31 March | | | | |
|--|-------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 2003 <i>HK\$'000</i> | 2002 <i>HK\$'000</i> (Restated) | 2001 <i>HK\$'000</i> (Restated) | 2000 <i>HK\$'000</i> (Restated) | 1999 <i>HK\$'000</i> (Restated) |
| TURNOVER | 1,689,296 | 1,194,465 | 1,100,080 | 957,597 | 1,051,470 |
| PROFIT/(LOSS) BEFORE TAX | 17,298 | (52,198) | 20,907 | 24,740 | 9,451 |
| Tax | (4,732) | (395) | (5,035) | (2,753) | (1,497) |
| NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS | 12,566 | (52,593) | 15,872 | 21,987 | 7,954 |

ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|-------------------|-------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 2003 <i>HK\$'000</i> | 2002 <i>HK\$'000</i> (Restated) | 2001 <i>HK\$'000</i> (Restated) | 2000 <i>HK\$'000</i> (Restated) | 1999 <i>HK\$'000</i> (Restated) |
| TOTAL ASSETS | 569,373 | 487,115 | 500,508 | 369,928 | 355,330 |
| TOTAL LIABILITIES | (357,885) | (316,373) | (316,451) | (192,996) | (244,889) |
| NET ASSETS | 211,488 | 170,742 | 184,057 | 176,932 | 110,441 |

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DIRECTORS

The directors of the Company during the year and at the balance sheet date were:

Executive directors:

Mr. So Yuk Kwan (*Chairman*)

Mr. Lee Jeong Kwan

Mr. So Chi On

Mr. Lai Yat Hung, Edmund (appointed on 31 January 2003)

Mr. Lai Yun Wing (appointed on 31 January 2003)

Mr. So Wai Yin (resigned on 31 January 2003)

Independent non-executive directors:

Dr. Hon. Lui Ming Wah, JP

Mr. Charles Edward Chapman

In accordance with articles 99 and 116 of the Company's articles of association, Mr. Lai Yat Hung, Edmund, Mr. Lai Yun Wing and Mr. Lui Ming Wah will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The terms of appointment of the independent non-executive directors will expire when they are required to retire by rotation in accordance with the Company's articles of association.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired 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.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company 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.

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DIRECTORS' INTERESTS IN SHARES

As at 31 March 2003, the interests of the directors in the equity securities 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:

| Company | Number of shares and nature of interests | |
|--------------------------|--|-----------------------------|
| | Personal interests | Other interests |
| Mr. So Yuk Kwan | – | 123,508,300 (<i>Note</i>) |
| Mr. Lee Jeong Kwan | 3,000,000 | – |
| Mr. So Chi On | – | 123,508,300 (<i>Note</i>) |
| Mr. Lai Yat Hung, Edmund | 3,242,607 | – |
| Mr. Lai Yun Wing | 6,464,900 | – |

Note: B.K.S. Company Limited, which is a wholly-owned subsidiary of Credit Cash Limited, is the legal and beneficial owner of 123,508,300 shares of HK\$0.10 each in the issued share capital of the Company. The entire issued share capital of Credit Cash Limited is held by Ansbacher (BVI) Limited, which is the trustee of a discretionary trust, the beneficiaries of which include Mr. So Chi On and other family members of Mr. So Yuk Kwan.

The interests of the directors in the share options of the Company are separately disclosed in note 32 to the financial statements.

Save as disclosed above, none of the directors or their associates, as defined under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), had any personal, family, corporate or other interests in the equity 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 in the share option scheme disclosures in note 32 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 directors 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 SCHEMES

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 schemes have been moved to note 32 to the financial statements.

Concerning the share options granted during the year to the directors, employees, suppliers and others, as detailed in note 32, the directors do not consider it appropriate to disclose a theoretical value of the options granted because the directors are of the opinion that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the models, and certain inherent limitations of the models themselves.

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SUBSTANTIAL SHAREHOLDERS

As 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 or have otherwise notified to the Company:

| Name | Number of shares held | Percentage of the Company's issued share capital |
|-------------------------|-----------------------------|--|
| B.K.S. Company Limited | 123,508,300 (<i>Note</i>) | 34.16 |
| Credit Cash Limited | 123,508,300 (<i>Note</i>) | 34.16 |
| Ansbacher (BVI) Limited | 123,508,300 (<i>Note</i>) | 34.16 |

Note: 123,508,300 shares in the Company were beneficially held by B.K.S. Company Limited which is a wholly-owned subsidiary of Credit Cash Limited. Credit Cash Limited is a company wholly-owned by Ansbacher (BVI) Limited, which is the trustee of a discretionary trust, the beneficiaries of which include Mr. So Chi On and other family members of Mr. So Yuk Kwan. Therefore, the shares in which B.K.S. Company Limited is shown as being interested duplicate those of Credit Cash Limited and Ansbacher (BVI) Limited.

Save as disclosed above, no person, other than the directors of the Company whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers for the year accounted for approximately 40.6% of the Group's total sales and sales to the largest customer included therein amounted to approximately 18.9%. Purchases from the Group's five largest suppliers for the year accounted for approximately 74.7% of the Group's total purchases and purchases from the largest supplier included therein amounted to approximately 32.3%.

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 suppliers.

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COMPLIANCE WITH THE 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 throughout the year covered by the annual report.

Non-executive directors are not appointed for specific terms as all of the directors, excluding the Managing Director, without limitation to non-executive directors, are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the articles of association of the Company.

AUDIT COMMITTEE

The Company has an audit committee (the “Audit Committee”) which was established, in accordance with the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises of the two independent non-executive directors of the Company.

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

So Yuk Kwan

Chairman

Hong Kong

25 July 2003