

REPORT of the Directors

The Directors have pleasure in submitting their annual report together with the audited statement of accounts for the year ended 31 December 2000.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Group are the design, manufacture and sale of liquid crystal displays and related products.

An analysis of the turnover of the Company and its subsidiaries for the financial year by geographical location is as follows:

	Group turnover <i>HK\$'000</i>
France	165,445
United Kingdom	151,919
Germany	100,708
Other European countries	243,361
North America	336,857
Hong Kong	91,726
Rest of Asia	142,316
Others	22,297
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	1,254,629
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Subsidiaries

Particulars of the Company's subsidiaries at 31 December 2000 are set out in note 11 on the accounts.

Accounts

The profit of the Group for the year ended 31 December 2000 and the state of the Company's and the Group's affairs at that date are set out in the accounts on pages 25 to 63.

An interim dividend of 15 cents per share was paid on 23 October 2000. The Directors now recommend the payment of a final dividend of 18 cents per share, to be satisfied by way of scrip dividend with cash option, in respect of the year ended 31 December 2000.

Report of the Directors (continued)

Accounts (continued)

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the new shares of the Company, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount of the final dividend which such shareholder could elect to receive in cash and that they be given the option to elect to receive payment of the final dividend in cash instead of the allotment of shares. Full details of the scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 26 June 2001.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 21 on the accounts. Shares were issued during the year as consideration for the acquisition of additional interests in certain subsidiaries. Shares were also issued on the exercise of share options and conversion rights attaching to the convertible notes.

Charitable Donations

Donations made by the Group during the year amounted to HK\$1,954,000 (1999: HK\$2,751,000).

Fixed Assets

Movements in fixed assets during the year are set out in note 10 on the accounts.

Directors

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

Dr. Chang Chu Cheng, *Chairman*
 Dr. York Liao, *Managing Director*
 Dr. Yan Sze Kwan
 Chung Shun Ming
 Kwok Siu Kwan
 James Lee Goon Nam
 Professor Charles Kao Kuen*
 Anthony Lui Chi Shing*

* *Independent Non-Executive Directors*

In accordance with the Bye-laws of the Company, Dr. Yan Sze Kwan and James Lee Goon Nam shall retire from office by rotation and, being eligible, offer themselves for re-election.

Report of the Directors *(continued)*

Directors' Interests in Shares

The Directors who held office at 31 December 2000 had the following interests in the issued share capital of the Company and its subsidiaries at that date as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance:

(a) Interests in the Company

	Shares of HK\$0.25 each		
	Personal interests	Family interests	Corporate interests
Dr. Chang Chu Cheng	20,795	–	67,294,474 <i>(note 1)</i>
Dr. York Liao	33,575,066	1,086,000	–
Dr. Yan Sze Kwan	10,371,072	–	–
Chung Shun Ming	4,322,959	–	–
Kwok Siu Kwan	2,112,959	–	–
James Lee Goon Nam	–	–	4,124,072 <i>(note 2)</i>

Notes:

1. A family trust of Dr. Chang Chu Cheng and his wife, Madam Iling Sieh, is the beneficial owner of the issued share capital of Colville Group Limited which holds 67,294,474 shares of the Company.
2. Mr. James Lee Goon Nam is the sole beneficial owner of the entire share capital of Pressman Holdings Limited which holds 4,124,072 shares of the Company.

Report of the Directors (continued)

Directors' Interests in Shares (continued)

(b) Interests in options to subscribe for the Company's shares

	Price per share to be paid on exercise of option	Number of options at 1 January 2000	Options exercised/ lapsed during the year	Number of options at 31 December 2000	Exercisable period
Chung Shun Ming	HK\$10.55	400,000	(400,000)	–	1 January 2000 to 31 December 2002
	HK\$10.90	150,000	(150,000)	–	9 July 1999 to 8 July 2009
Kwok Siu Kwan	HK\$11.50	400,000	(400,000)	–	1 January 1998 to 31 December 2000
	HK\$11.40	400,000	–	400,000	1 January 1999 to 31 December 2001
	HK\$10.55	400,000	–	400,000	1 January 2000 to 31 December 2002
	HK\$10.90	150,000	–	150,000	9 July 1999 to 8 July 2009

Directors' Interests in Shares (continued)

(c) Interests in subsidiaries

	Non-voting deferred shares of HK\$1,000 each in Varitronix Limited	Non-voting deferred shares of HK\$100 each in Polysources Properties Limited
Dr. Chang Chu Cheng	960	78
Dr. York Liao	492	40
Dr. Yan Sze Kwan	123	10
Chung Shun Ming*	50	8
Kwok Siu Kwan	50	4
James Lee Goon Nam	123	10
	1,798	150

* Mr. Chung Shun Ming holds 4 non-voting deferred shares in Polysources Properties Limited in trust for all non-voting deferred shareholders of that company.

Arrangement to Purchase Shares

The Company has a Share Option Scheme which was adopted on 6 June 1991 and subsequently amended on 8 June 1999 whereby the Directors of the Company are authorised, at their discretion, to invite any employee or Director, including executive and non-executive directors of any company in the Group, to take up options to subscribe for shares not exceeding 10 percent of the issued share capital of the Company. The options are exercisable for a period of up to ten years following the date of grant.

Particulars of options granted are set out in note 21 on the accounts.

Apart from foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Report of the Directors *(continued)*

Substantial Interests in the Share Capital of the Company

Other than Directors of the Company, no person or corporation had any interest in the share capital of the Company as recorded in the registers required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance.

Directors' Service Contracts

Drs. Chang Chu Cheng, York Liao and Yan Sze Kwan and Messrs. Chung Shun Ming, Kwok Siu Kwan and James Lee Goon Nam have entered into management agreements with the Company which may be terminated by either party to the agreements at three months' notice.

Non-Executive Directors are appointed for a period up to 31 December 2001 or such other date as agreed by the Non-Executive Directors and the Company.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' Interests in Contracts

No contract of significance to which the Company, or any of its subsidiaries was a party, 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.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws and the law in Bermuda.

Bank Loans, Overdrafts and Other Borrowings

Particulars of bank loans, overdrafts and other borrowings of the Group at 31 December 2000 are set out in notes 18 and 20 on the accounts.

Properties

Particulars of the properties held by the Group are shown on pages 65-67 of the annual report.

Five Year Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 64 of the annual report.

Connected Transactions

It was announced on 7 June 2000 that Varitronix Limited, a wholly-owned subsidiary of the Company had conditionally agreed to acquire the remaining minority interests in Varitronix (Canada) Limited, Varitronix France SAS (formerly Varitronix (France) S.A.R.L.), Varitronix (UK) Limited and VL Electronics, Inc., being the Company's overseas offices in Canada, France, UK and US, in consideration of which (i) the Company issued an aggregate of 1,896,680 shares and (ii) Varitronix Limited issued a Convertible Note to which conversion rights of 2,259,232 shares in the Company are attached. These transactions were approved at the special general meeting held on 14 July 2000.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company repurchased 370,000 shares of the Company through The Stock Exchange of Hong Kong Limited during September and October 2000 at prices ranging between HK\$9.05 and HK\$11.00 per share for an aggregate price of HK\$3,769,000. All the said 370,000 shares were cancelled upon repurchase and accordingly the issued share capital was reduced by the nominal value of these shares. The premium on repurchases was charged to share premium.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December, 2000.

Disclosure of Information on the Website of The Stock Exchange of Hong Kong Limited

The 2000 annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the website of the Stock Exchange in due course.

Compliance with the Code of Best Practice

The Company has complied throughout the year with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules.

Report of the Directors *(continued)*

Auditors

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Peter Lo Chi Lik

Secretary

Hong Kong, 11 April 2001