



## Report of the Directors

The directors herein present their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2000.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of the subsidiaries have not changed during the year and consisted of the manufacture and trading of compact disc (“CD”) players, video CD (“VCD”) players, CD and VCD player mechanisms, amplifiers, computer peripherals, car audio mechanisms, cassette deck mechanisms and related products, and non-audio products including personal office appliances and medical devices. Through a long term investment, the Group’s activities are broaden and indirectly include engagement in the research and development and installation of video-on-demand system in the People’s Republic of China which may have mass broadcasting, multi-media and telecommunication applications.

### **RESULTS AND DIVIDENDS**

The Group’s loss for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 51.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2000.

### **SUMMARY OF FINANCIAL INFORMATION**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 52.

### **SEGMENTAL INFORMATION**

Details of the Group’s segmental information are set out in note 26 to the financial statements.

### **FIXED ASSETS**

Details of movements in the fixed assets of the Group are set out in note 10 to the financial statements.

### **SUBSIDIARIES**

Particulars of the Company’s principal subsidiaries are set out in note 11 to the financial statements.

### **BORROWINGS**

Details of the Company’s and Group’s borrowings as at 31 December 2000 are set out in note 18 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 explanations therefor, are set out in note 21 to the financial statements.

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.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 22 to the financial statements.

### DISTRIBUTABLE RESERVES

At 31 December 2000, the Company's reserves available for cash distribution and distribution in specie were nil (1999: HK\$21,545,000). The Company's share premium account in the amount of HK\$95,220,000 (1999: HK\$55,796,000) may be distributed in the form of fully paid bonus shares.

### MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the respective percentages of the Group's purchases and sales attributable to major suppliers and customers are as follows:

- |   |  |     |
|---|--|-----|
| a) Percentage of purchases attributable to: |  |     |
| • the largest supplier                      |  | 15% |
| • the five largest suppliers                |  | 36% |
| b) Percentage of sales attributable to:     |  |     |
| • the largest customer                      |  | 19% |
| • the five largest customers                |  | 56% |

As far as the directors are aware, neither the directors of the Company, their associates, nor shareholders, which to the 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 suppliers or customers.

## Report of the Directors (continued)

### DIRECTORS

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

#### Executive directors

Leung Wah Chai	
Butt Wing Han	
Cheng Kwok Choi, Godwin	
Cheng Shu Wing	(appointed on 29 November 2000)
Guo Duen How, Tom	(appointed on 29 November 2000)
Kao Ying Lun	(appointed on 29 November 2000)
Wu Fred Fong	(appointed on 29 November 2000)
Cheng Kwok Fai	(resigned on 29 November 2000)
Ho Chi Kin, Sammy	(resigned on 29 November 2000)
Leung Kin Keung	(resigned on 29 November 2000)

#### Non-executive director

Leung Tai Shing	(resigned on 29 November 2000)
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#### Independent non-executive directors

Chan Wai Dune, Charles	(appointed on 29 November 2000)
Wen Carson	(appointed on 22 January 2001)
Tsang Link Carl, Brian	(resigned on 1 February 2001)
Fung Yun Choi, Jett	(appointed on 22 March 2000 and resigned on 29 November 2000)
Fu Chi Keung, Richard	(resigned on 9 March 2000)

In accordance with the Company's bye-laws, Messrs. Cheng Kwok Choi, Godwin, Cheng Shu Wing, Guo Duen How, Tom, Kao Ying Lun, Wu Fred Fong, Chan Wai Dune, Charles and Wen Carson will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Except for the chairman, all of the directors, including the independent non-executive directors, are subject to retirement by rotation in accordance with the Company's bye-laws.

### BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY, SENIOR ADVISORS AND SENIOR MANAGEMENT OF THE GROUP

#### Executive directors

LEUNG Wah Chai, aged 63, is the Chairman and Managing Director and one of the founders of the Group. He is responsible for the overall corporate policy-making, strategic planning and managing of important public affairs. He has more than 44 years of practical experience in the mechanical engineering, precision optical instruments and high-end audio/visual industries. He is a director of the China Association of Enterprises Foreign Investment, in the People's Republic of China ("PRC"); an executive director of The Association of Overseas Investors, in Guangdong, the PRC; a Hong Kong appointed member of The Chinese People's Political Consultative Conference – the 8th Committee of Guangdong Province; and a member of The Selection Committee for the First Government of the Hong Kong Special Administrative Region.

BUTT Wing Han, aged 60, is the General Manager and one of the founders of the Group. She is responsible for the overall corporate policy-making, strategic planning, general management, and monitoring of the manufacturing and marketing activities of the Group. She has more than 30 years of experience in the electronics industry. She is the spouse of Leung Wah Chai.

CHENG Kwok Choi, Godwin, aged 44, joined the Group in 1994 and is the Deputy General Manager of the Group. He graduated from the Hong Kong Baptist University, where he majored in business management. He has more than 23 years of practical experience at senior managerial level in the manufacturing, banking and financial fields. He was responsible for fund management and trade and corporate finance management prior to joining the Group. He now supervises the overall financial management of the Group and also participates in corporate strategic planning.

CHENG Shu Wing, aged 52, joined the Group in 2000 and has extensive experience in the banking and securities industries in Hong Kong and has been active in financing, investment advisory and fund management activities. He is currently a director of an investment bank in Hong Kong. Mr. Cheng holds a Bachelor Degree in Business Administration from The Chinese University of Hong Kong.

GUO Duen How, Tom, aged 56, joined the Group in 2000 and has over 25 years of extensive banking experience including corporate finance, project finance, international trade financing, credit, corporate management policy and administration. He held senior positions in a number of international banking institutions and is currently a director of an investment bank in Hong Kong. He holds a Bachelor Degree of Commerce from Concordia University of Canada.

KAO Ying Lun, aged 48, joined the Group in 2000 and has over 20 years business and professional experiences of which more than 12 years have been gained in the investment banking, corporate finance and financial advisory fields. He sits on the board of a number of private investment/listed companies. He holds the Bachelor of Business Administration (Honours) Degree from a Canadian university and is a Chartered Accountant qualified in Canada.

### BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY, SENIOR ADVISORS AND SENIOR MANAGEMENT OF THE GROUP (continued)

#### Executive directors (continued)

WU Fred Fong, aged 54, joined the Group in 2000 and has over 20 years broad experience in corporate planning, corporate finance, direct investments and consulting with public companies in Canada and Hong Kong. He is currently a director of an investment bank in Hong Kong. He holds the Master of Business Administration Degree from York University of Canada. He is a Chartered Accountant qualified in Canada and a Fellow member of the Hong Kong Society of Accountants.

#### Independent non-executive directors

CHAN Wai Duen, Charles, aged 49, joined the Group in 2000 and has over 20 years experience in auditing, taxation, corporate financing and business services. He is a Certified Public Accountant and is a Fellow member of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants, and the Taxation Institute of Hong Kong. He sits on the board of a number of private and publicly listed companies in Hong Kong.

WEN Carson, aged 48, joined the Group in 2001 and has been a practicing solicitor for over 20 years. He is a partner of Siao, Wen and Leung, Solicitors and Notaries. He holds a B.A. degree from Columbia University, U.S.A. and a M.A. degree from Oxford University, U.K.. He is a director of various companies in Hong Kong and PRC, including public companies and financial institutions. He is also a Deputy of the National People's Congress and a China-appointed Attesting Officer in the PRC.

#### Senior Advisors

XIA Zhi Wu, aged 74, joined the Group in 2000. He graduated from the Ching Hwa University, the PRC. He worked in the central government offices after graduation. He was a Director of the Bureau of Government Offices Administration, and a Secretary General of the State Economic Commission, etc. He is now the Vice President of the China Federation of Industrial Economics. He is a consultant of the Group and is providing consultancy services regarding strategies and business model for investing in the PRC.

RUAN Ruo Lin, aged 75, joined the Group in 2000. She was a Vice Director of China Central Television Station (the "CCTV") and had managed daily business operations of the CCTV. She is a consultant of the Group and is providing consultancy services regarding strategies and business model for investing in the PRC.

#### Senior management

CHIU Lai Chun, Rhoda, aged 36, joined the Group in 1994 and is the Company Secretary and Finance and Administration Manager of the Group. She is an Associate member of the Hong Kong Society of Accountants and a Fellow member of the Association of Chartered Certified Accountants. She worked for an international public accounting firm in Hong Kong for about 7 years prior to joining the Group.

CHENG Kwok Fai, aged 48, joined the Group in 1985 and is the Sales and Marketing Director of a subsidiary. He holds a work study certificate from the British Institute of Engineering Technology and has 27 years of experience in mechanical engineering in the electronics industry. He currently supervises all of the sales and marketing, engineering projects, as well as product design and development.

### BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY, SENIOR ADVISORS AND SENIOR MANAGEMENT OF THE GROUP (continued)

#### Senior management (continued)

LAU Kui Tin, aged 54, joined the Group in 1985 and is the Quality Control Manager. Prior to joining the Group, he worked for a major Japanese electrical manufacturing company and has worked in the quality control field for over 20 years in various international electronics manufacturing organisations.

LEUNG Kin Keung, aged 42, joined the Group in 1986 and is the General Manager of Dongguan Yanion Electronics Manufacturing Limited and Dongguan Yanion Mould & Die Manufacturing Limited in the PRC. He graduated from Kwai Chung Technical Institute and also holds a Diploma in Business Management from the Hong Kong Polytechnic University. He has more than 13 years of working experience in designing and making metal moulds, manufacturing components and assembling various electronics products. Between 1991 to 1993, he was the General Manager of two United States based companies. He is the son of Leung Wah Chai and handles all of the manufacturing affairs in the PRC. He is now responsible for the overall management of the manufacturing operations of the Group.

#### DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election 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 THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At the balance sheet date, the directors and their associates had the following beneficial interests in the share capital of the Company and its associated corporations, as recorded in the register required to be kept pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"):

Name of director	Number of ordinary shares in the Company		
	Personal interest	Family interest	Corporate interest*
Leung Wah Chai	32,215,600	–	9,783,500
Butt Wing Han	7,915,250	–	2,983,500
Cheng Kwok Choi, Godwin	500,000	1,310,000	–

\* Kamga Investment Limited held 2,983,500 shares in the Company. Leung Wah Chai and Butt Wing Han are controlling shareholders and directors of Kamga Investment Limited. Bestbond Company Limited held 6,800,000 shares in the Company. Leung Wah Chai is a controlling shareholder and a director of Bestbond Company Limited.

Save as disclosed above, none of the directors or their associates had any beneficial or other interest in the equity of the Company or any of its associated corporations, as defined in the SDI Ordinance.

## Report of the Directors (continued)

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company has a share option scheme approved by shareholders, under which the directors may, on or before 30 September 2001, invite any employee or executive director of the Group to take up options to subscribe for shares in the Company.

The number of share options to subscribe for ordinary shares of the Company granted to and exercised by certain of the Company's directors during the year, together with the number of outstanding share options at the balance sheet date, were as follows:

Name of director	Number of shares options			
	Outstanding as at 1 January 2000	Granted during the year	Exercised during the year	Outstanding as at 31 December 2000
Leung Wah Chai	–	800,000	–	800,000
Butt Wing Han	800,000	800,000	(800,000)	800,000
Cheng Kwok Choi, Godwin	–	200,000	–	200,000
Cheng Kwok Fai (resigned on 29 November 2000)	–	200,000	–	200,000
Ho Chi Kin, Sammy (resigned on 29 November 2000)	200,000	200,000	(200,000)	200,000
Leung Kin Keung (resigned on 29 November 2000)	380,000	500,000	(380,000)	500,000
	1,380,000	2,700,000	(1,380,000)	2,700,000

The remaining share options held by the existing directors to subscribe for ordinary shares in the Company are exercisable on the following terms:

Name of director	Number of share options	Exercise price per share HK\$	Exercise period
Leung Wah Chai	800,000	1.81	23 August 2000 to 25 October 2001
Butt Wing Han	800,000	1.81	23 August 2000 to 25 October 2001
Cheng Kwok Choi, Godwin	200,000	1.81	23 August 2000 to 25 October 2001

## **Report of the Directors (continued)**

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES (continued)**

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company, their respective spouses, 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.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Except for those transactions set out in note 27 to the financial statements, no directors had a beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

### **SUBSTANTIAL SHAREHOLDERS**

At 31 December 2000, no person, other than the directors of the Company and the companies controlled by them, whose interests are disclosed above, had registered an interest in the share capital of the Company that was required to be recorded in the register maintained pursuant to Section 16(1) of the SDI Ordinance.

### **CONNECTED TRANSACTIONS**

During the year, the Group had certain connected transactions, further details of which are included in note 27 to the financial statements.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities.

### **EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS**

Details of the emoluments of the directors and of the five highest paid individuals in the Group are set out in note 5 to the financial statements.

### **PENSION SCHEME**

In accordance with the Mandatory Provident Fund Schemes Ordinance, the Group contributes to Mandatory Provident Fund for the Group's employees based on applicable rates of monthly salary in accordance with government regulations. Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.



## **Report of the Directors (continued)**

### **POST BALANCE SHEET EVENTS**

Details of the Group's post balance sheet events are set out in note 28 to the financial statements.

### **AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee") in 1999, in accordance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited. The Audit Committee comprises all independent non-executive directors of the Company. Meetings were held during the year to consider corporate governance, regulatory compliance, internal control and financial reporting matters which cover the accounting period in this annual report.

### **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the financial year ended 31 December 2000.

### **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**

**Leung Wah Chai**

*Chairman*

Hong Kong

17 April 2001