

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period from 1 August 1999 to 31 December 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. It also provides corporate management services.

The principal activities of the Company's principal subsidiaries as at 31 December 2000, together with their details, are set out in note 42 to the financial statements.

CHANGE OF NAME

At a special general meeting held on 7 September 1999, the Company changed its name from H B International Holdings Limited to SunCorp Technologies Limited with effect from 10 September 1999. The directors of the Company also resolved to change the Company's Chinese name from 錫威國際集團有限公司 to 新確科技有限公司.

CHANGE OF FINANCIAL YEAR END

The financial year end of the Group was changed from 31 July to 31 December each year commencing 1 August 1999.

RESTRUCTURING EXERCISE

On 9 July 1999, the Company entered into a restructuring agreement (the "Restructuring Agreement") with (i) Suncorp Partners Limited; (ii) the then executive directors of the Company; and (iii) certain banks and financial institutions of the Company and its subsidiaries. Pursuant to the Restructuring Agreement, the Company, inter alia, restructured its capital and its obligations to these banks and financial institutions.

RESTRUCTURING EXERCISE (Continued)

Upon the completion of the Group's restructuring exercise on 10 September 1999, the following events took place:

- (i) The Company's share capital was reduced, subdivided and consolidated. The reduction in capital of the Company of approximately HK\$87 million was used to offset against the Company's deficit;
- (ii) A total of 500,000,000 new shares in the Company were issued for cash at HK\$0.05 per share, raising for the Company approximately HK\$25 million;
- (iii) Of the Group's obligation of approximately HK\$363,961,000 to certain banks and financial institutions in Hong Kong (the "Hong Kong Bankers"); approximately HK\$24,713,000 were repaid by cash; approximately HK\$48,955,000 were converted into share capital of the Company; approximately HK\$39,563,000 were converted into convertible notes of the Company and approximately HK\$250,730,000 were discharged; and
- (iv) The Group's loans from directors of the Company of HK\$7 million were repaid to the directors.

Further details of the restructuring exercise as mentioned in (i) and (ii) above are set out in note 25 and further details of (iii) are set out in note 9 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the period from 1 August 1999 to 31 December 2000 are set out in the consolidated income statement on page 31 of the annual report and in the accompanying notes to the financial statements. No dividend was paid by the Company during the period.

MAJOR CUSTOMERS AND SUPPLIERS

During the period, the five largest customers in aggregate accounted for approximately 94% of the turnover of the Group and the largest customer accounted for approximately 69% of the turnover of the Group.

At no time during the period did a director, an associate of a director (within the meaning of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) has an interest in any of the Group's five largest customers.

During the period from 1 August 1999 to 31 December 2000, the aggregate purchases attributable to the five largest suppliers of the Group were less than 30% of the total purchases of the Group.

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FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial period/year is set out on page 76 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the period are set out in note 14 to the financial statements.

SHARE CAPITAL

During the period, the Company's share capital was reduced, subdivided and consolidated. The reduction in the share capital of the Company of approximately HK\$87 million was used to offset against the Company's deficit. Details of these and other movements in the Company's share capital during the current period are set out in note 25 to the financial statements.

RESERVES AND DEFICIT

Movements in the reserves and deficit of the Group and the Company during the period are set out in note 27 to the financial statements.

CONVERTIBLE NOTES

Details of the convertible notes are set out in note 24 to the financial statements.

BORROWINGS

Following completion of the restructuring exercise in September 1999, borrowings of approximately HK\$364 million were either repaid, converted into share or loan capital of the Company or were discharged. Details are set out in note 9 to the financial statements.

Details of bank and other borrowings and obligations under finance leases and hire purchase contracts as at 31 December 2000 are set out in notes 23 and 22, respectively.

No interest was capitalised by the Group during the period.

DIRECTORS

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

Executive directors:

Peter Francis AMOUR – <i>Chairman</i>	(appointed on 10 September 1999)
Sir Keith BRIGHT – <i>Vice Chairman</i>	(appointed on 10 September 1999)
Malcolm PATON	
LEUNG Shek Kong	
CHAN Wing Ming, Charles	(appointed on 10 September 1999)
LEE Kin Sing	(resigned on 10 September 1999)
AU YEUNG Kam Hay, Henry	(resigned on 10 September 1999)

Non-executive directors:

TSAO Kwang Yung, Peter, C.B.E., C.P.M.	
Thomas CHIA*	(appointed on 10 September 1999)
Edward Hungerford MILWARD-OLIVER *	(appointed on 1 March 2000)
Dieter YIH	(resigned on 10 September 1999)

* *Independent non-executive directors*

In accordance with Clauses 86(2), 87(1) and 87(2) of the Company's Bye-laws, Messrs Malcolm PATON, LEUNG Shek Kong and Edward Hungerford MILWARD-OLIVER retire by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of office for each of the non-executive directors is the period from the date of appointment up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2000, the interests of the directors and their associates in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules were as follows:

Name of Director	Number of shares held	
	Personal interests	Corporate interests
Peter Francis AMOUR	–	540,000,000 <i>(note)</i>
Malcolm PATON	13,912,018	–
LEUNG Shek Kong	13,912,017	–
Thomas CHIA	1,600,000	–

Note: 540,000,000 shares were held by Suncorp Partners Limited, a company incorporated in the British Virgin Islands, in which Mr Peter Francis AMOUR has the effective voting power under the SDI Ordinance.

Save as disclosed above and other than certain nominee shares in subsidiaries held in trust for the Group, at 31 December 2000, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations within the meaning of the SDI Ordinance, and none of the directors, or their spouses or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option schemes are set out in note 26 to the financial statements.

As at 31 December 2000, the following directors and former directors had share options to subscribe for shares in the Company at exercise prices stated below, subject to adjustment:

Name of director	Notes	Date of grant	Exercise price HK\$	Balance at 1.8.1999	Granted during the period	Adjustment (Note a)	Exercised during the period	Cancelled during the period	Balance at 31.12.2000
Peter Francis AMOUR	(c)	June 2000	0.085	-	16,000,000	-	-	-	16,000,000
	(d)	September 1999	0.050	-	150,000,000	-	(40,000,000)	-	110,000,000
Sir Keith BRIGHT	(c)	June 2000	0.085	-	2,000,000	-	-	-	2,000,000
Malcolm PATON	(b)	June 1997	2.150	13,320,000	-	(7,992,000)	-	-	5,328,000
	(c)	June 2000	0.085	-	15,900,000	-	-	-	15,900,000
LEUNG Shek Kong	(b)	June 1997	2.150	13,320,000	-	(7,992,000)	-	-	5,328,000
	(c)	June 2000	0.085	-	15,000,000	-	-	-	15,000,000
CHAN Wing Ming, Charles	(c)	June 2000	0.085	-	15,000,000	-	-	-	15,000,000
LEE Kin Shing	(b)	June 1997	2.150	13,320,000	-	(7,992,000)	-	(5,328,000)	-
AJ YEUNG Kam Hay, Henry	(b)	June 1997	2.150	13,320,000	-	(7,992,000)	-	(5,328,000)	-

Notes:

- (a) The number and exercise price of the share options granted were adjusted as a result of the share consolidation and the rights issue of shares in the Company on 7 September 1999 and 30 September 1999 respectively, as set out in note 25. The exercise price shown above represent the adjusted exercise price as at 31 December 2000.
- (b) The options are exercisable at any time subject to certain restrictions contained in the offer letters, within a period of ten years commencing from the date of adoption of the scheme.
- (c) The options are exercisable at any time subject to certain restrictions contained in the offer letter, within a period of three years commencing on the date falling twelve months after the date of acceptance of an option.
- (d) The options are held by Suncorp Partners Limited in which Mr Peter Francis AMOUR has the effective voting power under the SDI Ordinance.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Continued)

Save as disclosed above, at no time during the period 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 debt securities, including debentures, of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, as at 31 December 2000, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses the persons who were, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of issued share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Number of shares held
Suncorp Partners Limited	540,000,000
Axia Investments Limited ("AIL")	540,000,000 (Note)
Axia Capital Corporation ("ACC")	540,000,000 (Note)
Larry KWOK	540,000,000 (Note)

Note: AIL has the effective voting power in Suncorp Partners Limited under the SDI Ordinance and is deemed to be interested in the 540,000,000 shares. ACC has the effective voting power in AIL and Mr Larry KWOK has the effective voting power in ACC and they are deemed to be interested in the same parcel of 540,000,000 shares held by Suncorp Partners Limited.

Save as disclosed above, the directors are not aware of any other persons having an interests in shares representing 10% or more of the issued share capital of the Company.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year, members to the Group entered into certain transactions which were "connected transactions" as defined by the Listing Rules. Details of such transactions are as follows:

- (1) As at 31 December 2000, the Group advanced approximately HK\$463 million to Shenzhen Guo Wei Electronics Co., Ltd. ("Shenzhen GWE"), a 60% owned subsidiary, for financing its operations. The advance is unsecured, non-interest bearing and has no fixed repayment term.
- (2) During the period, the Company had given guarantees amounting to approximately HK\$85 million to various banks in the PRC in respect of credit facilities granted to and utilised by Shenzhen GWE.
- (3) In the year ended 31 July 1999, unsecured and interest-free loans of HK\$7 million were advanced from Messrs Malcolm PATON, LEUNG Shek Kong, LEE Kin Sing and AU YEUNG Kam Hay, Henry, directors and former directors of the Company. These loans were fully repaid during the current period.

Further unsecured and interest-free loans of HK\$3,872,000 advanced from Mr LEUNG Shek Kong and HK\$414,000 advanced from Mr Malcolm PATON in prior year of which HK\$1,408,000 due to Mr LEUNG Shek Kong remained outstanding at 31 December 2000.

In addition, during the current period, a loan of HK\$2,015,000 was advanced from Mr Peter AMOUR, director of the Company.

- (4) As at 31 December 2000, certain of the Group's bank borrowings amounting to HK\$55,261,000 were guaranteed by a minority shareholder of a subsidiary of the Group (1999: HK\$57,238,000).

The amounts due to the minority shareholders of a subsidiary of HK\$8,870,000 (1999: HK\$14,681,000) at 31 December 2000 are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors of the Company, no repayment will be required within twelve months from the balance sheet date. Accordingly, the amounts were classified as non-current.

Save as disclosed above:

- (i) no contracts of significance subsisted at any time during the period to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and
- (ii) there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

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RETIREMENT BENEFIT SCHEME

Information on the retirement benefit scheme of the Group is set out in notes 7 and 37 to the financial statements.

PRE-EMPTIVE RIGHTS

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.

CORPORATE GOVERNANCE

The Company has complied throughout the period from 1 August 1999 to 31 December 2000 with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules.

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 41 to the financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint the Messrs Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Peter Francis AMOUR
CHAIRMAN

Hong Kong, 18 April 2001