

Directors' Report

The directors present the annual report and the audited financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the subsidiaries are the manufacture of and trading in electronic products, conductive silicon rubber keypads and printed circuit boards.

RESULTS

The results of the Group for the year ended 31 December 2000 are set out in the consolidated income statement on page 25.

The directors do not recommend the payment of a dividend for the year.

FINANCIAL SUMMARY

A summary of results and of the assets and liabilities of the Group for the past five financial years is set out on page 56.

SHARE CAPITAL

Details of changes during the year in the issued share capital of the Company are set out in note 19 to the financial statements.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 20 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$18 million to expand its production facilities. The Group has also revalued its land and buildings at the year end date. The surplus arising on revaluation of land and buildings, which has been credited directly to the asset revaluation reserve and income statement, amounted to approximately HK\$13,667,000 and HK\$641,000, respectively.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Mr. Tong Shek Lun (*Chairman and Managing Director*)

Mr. Li Ka Fai, Fred

Ms. Ko Lai King, Kinny

Ms. Chung Wai Yu, Regina

Mr. Tam Lung Shor

Mr. Wu Yong Yei

(appointed on 7 July 2000)

Non-executive directors:

Mr. Lee Kwok Leung

(appointed on 20 April 2001)

Mr. Yang Yiu Chong, Ronald Jeffrey

(appointed on 20 April 2001)

Independent non-executive directors:

Mr. Sun Yaoquan

Mr. Tsao Kwang Yung, Peter

Mr. Goh Gen Cheung

In accordance with Clauses 87(1) and 87(2) of the Company's bye-laws, Mr. Tsao Kwang Yung Peter, Mr. Lee Kwok Leung and Mr. Yang Yiu Chong, Ronald Jeffrey, retire and, being eligible, offer themselves for re-election.

Mr. Wu Yong Yei has entered into a service contract with the Company for a period of three years commencing from 7 July 2000. Other executive directors of the Company have entered into service contracts with the Company for a period of three years commencing from 1 February 1998 and all of them have extended these service contracts for another three years commencing from 1 February 2001.

Other than as disclosed above, no director 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.

The independent non-executive directors have been appointed for a term subject to retirement by rotation in accordance with the Company's bye-laws.

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CONNECTED TRANSACTIONS

Global China Technology Group Limited ("Global China") (formerly known as Perfect Treasure Holdings Limited) through its wholly-owned subsidiary Prefect Treasure Holdings (BVI) Limited, held a 15% equity interest in Jet Master Limited, an 85% held subsidiary of the Company. On 28 August 2000, Perfect Treasure Holdings (BVI) Limited disposed of its 15% equity interest in Jet Master Limited to independent third parties. At 31 December 2000, Global China, also through its wholly-owned subsidiary, Perfect Treasure Investment Limited, held approximately 16.5% of the issued share capital of the Company.

The purchases by the Group for the period from 1 January 2000 to 28 August 2000 of printed circuit boards from Dongguan Tai Shan Electronics Co., Ltd., which is a wholly-owned subsidiary of Jet Master Limited, constituted connected transactions (the "Transactions") and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granted a conditional waiver to the Company from strict compliance with the connected transaction requirements under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The total value of the Transactions amounted to approximately HK\$18,000,000.

The Transactions were reviewed by the independent non-executive directors who confirmed that:

- they were carried out on terms no less favourable than terms available from independent third parties;
- they had been entered in the ordinary and usual course of business of the Group;
- they had been entered into either on commercial terms or, where there was no available comparison, on terms that were fair and reasonable in so far as the independent shareholders of the Company were concerned; and
- the aggregate annual value of the Transactions did not exceed the specified limit of 15% of the audited consolidated turnover of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, its holding company, its fellow subsidiaries or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The executive directors have confirmed to the Company that they are not interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business.

DIRECTORS' INTERESTS IN SECURITIES

(i) Shares

At 31 December 2000, the interests of the directors and their associates (as defined in the Listing Rules) in the shares or other securities of the Company or any associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("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 were as follows:

Name of director	Type of interests <i>Note</i>	Number of shares
Mr. Tong Shek Lun	Corporate	231,180,000
Mr. Li Ka Fai, Fred	Corporate	231,180,000
Ms. Ko Lai King, Kinny	Corporate	231,180,000
Ms. Chung Wai Yu, Regina	Corporate	231,180,000
Mr. Tam Lung Shor	Corporate	231,180,000

Note: The above shares are held by Sapphire Profits Limited, the ultimate holding company of the Company. Mr. Tong Shek Lun, Mr. Li Ka Fai, Fred, Ms. Ko Lai King, Kinny, Ms. Chung Wai Yu, Regina and Mr. Tam Lung Shor each owns 88.06%, 3.37%, 3.37%, 2.6% and 2.6% of the issued share capital of Sapphire Profits Limited respectively.

(ii) Options

The Company has a share option scheme under which directors and full-time employees of the Company and any of its subsidiaries may be granted options to subscribe for shares in the Company. Details of the share option scheme and a summary of the movement of options granted during the year are set out in note 19 to the financial statements.

Other than the share option scheme above, at no time during the year was the Company, its holding company, its fellow subsidiaries 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 debentures of, the Company or any other body corporate. In addition, none of the directors, or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

Save as disclosed above, at 31 December 2000, none of the directors or their associates (as defined in the Listing Rules) had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

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SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that, other than the interest disclosed above in respect of the directors and Perfect Treasure Investment Limited under the paragraph headed "Connected Transactions", the Company had not been notified of any interest representing 10% or more of the issued share capital of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 39% of the Group's total turnover and the sales attributable to the Group's largest customer was approximately 15% of the Group's total sales. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 35% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 15% of the Group's total purchases.

None of the directors, their associates (as defined in the Listing Rules) or any shareholders which to the knowledge of the directors owns more than 5% of the Company's issued share capital has any interest in any of the Group's five largest customers or suppliers.

CONVERTIBLE SECURITIES, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, warrants or other similar rights as at 31 December 2000 and there has been no exercise of any convertible securities, warrants or similar rights during the year.

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

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

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 year ended 31 December 2000 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDITORS

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

On behalf of the Board

Tong Shek Lun

Chairman and Managing Director

Hong Kong
20 April 2001