

REPORT OF THE DIRECTORS

The directors herein present their report and 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 Group's principal activities consisted of the design, development, manufacture and sale of electronic products, the manufacture and sale of printed circuit boards ("PCBs"), the trading and distribution of electronic components and parts, the trading of listed equity investments and the provision of loan financing.

The trading of listed equity investments and the provision of loan financing were new businesses entered into by the Group during the year.

SEGMENTED INFORMATION

An analysis of the Group's turnover and the contribution to profit/(loss) after finance costs by principal activity, and an analysis of turnover by geographical area according to principal activity, are as follows:

	Turnover		Contribution	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By activity:				
Electronic products:				
Manufacture and sale of electronic products	455,973	399,529	49,034	15,246
Electronic components and parts:				
Manufacture and sale of PCBs	137,454	107,569	(6,565)	(40,376)
Trading and distribution of electronic components and parts	47,164	94,511	1,590	(9,475)
Trading of listed equity investments (Note)	9,690	–	(34,124)	–
Provision of loan financing	9,526	–	(4,937)	–
	659,807	601,609	4,998	(34,605)
Add: Gain on disposal of partial interest in subsidiaries			33,409	–
Less: Finance costs			(1,464)	(4,047)
PROFIT/(LOSS) AFTER FINANCE COSTS			36,943	(38,652)

Note: Included in the negative contribution of HK\$34,124,000 were net unrealised holding losses on short term investments of HK\$32,170,000.



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SEGMENTED INFORMATION (Continued)

By geographical area according to principal activity:

	Notes	Turnover	
		2000 HK\$'000	1999 HK\$'000
Manufacture and sale of electronic products:			
Europe		54,080	51,895
North America		170,767	138,145
The People's Republic of China ("PRC"), including Hong Kong	1	98,403	85,220
Japan		115,557	108,850
Others	2	17,166	15,419
		455,973	399,529

	Note	Turnover	
		2000 HK\$'000	1999 HK\$'000
Manufacture and sale of PCBs:			
The PRC, including Hong Kong		120,555	100,244
North America		6,593	–
Others	3	10,306	7,325
		137,454	107,569

		Turnover	
		2000 HK\$'000	1999 HK\$'000
Trading and distribution of electronic components and parts:			
The PRC:			
Hong Kong		12,140	47,303
Elsewhere		35,024	47,208
		47,164	94,511



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SEGMENTED INFORMATION (Continued)

	Turnover	
	2000 HK\$'000	1999 HK\$'000
Trading of listed equity investments: Hong Kong	9,690	–

	Turnover	
	2000 HK\$'000	1999 HK\$'000
Provision of loan financing: Hong Kong	9,526	–

Notes:

1. Sales in the PRC, including Hong Kong, were mainly to trading companies which, to the best of the directors' knowledge, resold the Group's electronic products worldwide. Sales to the PRC were made indirectly through Hong Kong trading companies.
2. These include sales to Australia, New Zealand, and countries in Latin America, the Middle East and other parts of Asia.
3. These include sales to Europe, Australia and South East Asia.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 64.

The directors do not recommend the payment of any dividend in respect of the year.



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SUMMARY FINANCIAL INFORMATION

A summary of the results of the Group for the last five financial reporting years/period and of its assets and liabilities at the respective financial reporting year/period end dates, as extracted from the published audited financial statements of the Group, is set out below.

	Year ended 31 December 2000 HK\$'000	Year ended 31 December 1999 HK\$'000	Year ended 31 December 1998 HK\$'000	14 month period from 1 November 1996 to 31 December 1997 HK\$'000	Year ended 31 October 1996 HK\$'000
RESULTS					
TURNOVER	659,807	601,609	483,557	557,056	578,256
PROFIT/(LOSS) BEFORE TAX	36,943	(38,603)	(27,470)	13,737	79,244
Tax	(5,424)	(6,265)	988	(2,715)	(7,035)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	31,519	(44,868)	(26,482)	11,022	72,209
Minority interests	976	(30)	(4)	5	(314)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	32,495	(44,898)	(26,486)	11,027	71,895



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SUMMARY FINANCIAL INFORMATION (Continued)

	31 December 2000 HK\$'000	31 December 1999 HK\$'000	31 December 1998 HK\$'000	31 December 1997 HK\$'000	31 October 1996 HK\$'000
ASSETS AND LIABILITIES					
FIXED ASSETS	135,800	132,476	185,810	192,164	138,894
PREPAID RENTAL	5,588	6,324	7,061	7,798	8,658
RENTAL DEPOSITS	397	–	–	–	–
DEFERRED PRODUCT DEVELOPMENT COSTS	4,131	3,684	5,829	3,954	3,471
DEFERRED PRE-OPERATING EXPENSES	–	–	3,363	4,466	5,818
INTERESTS IN ASSOCIATES	–	42	23	–	–
CURRENT ASSETS	421,444	252,277	200,805	258,862	374,567
TOTAL ASSETS	567,360	394,803	402,891	467,244	531,408
CURRENT LIABILITIES	146,674	191,152	140,960	167,173	252,482
LONG TERM BANK BORROWINGS	–	–	13,247	16,944	21,257
LONG TERM LEASE PAYABLES	–	–	–	–	272
DEFERRED TAX	1,433	600	–	1,196	1,325
TOTAL LIABILITIES	148,107	191,752	154,207	185,313	275,336
MINORITY INTERESTS	42,177	8,836	8,806	8,802	8,809
NET ASSETS	377,076	194,215	239,878	273,129	247,263

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FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 11 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries are set out in note 14 to the financial statements.



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BANK BORROWINGS

Details of the Group's bank borrowings are set out in note 21 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 therefor, are set out in note 24 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 25 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus of HK\$84,917,000 is distributable to shareholders in certain circumstances. In addition, the Company's share premium account in the amount of HK\$189,186,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 36% of the total sales for the year and sales to the largest customer included therein amounted to 13% of the total sales. Purchases from the Group's five largest suppliers accounted for approximately 43% of the total purchases for the year and purchases from the largest supplier included therein amounted to 16% of the total purchases.

As far as the directors are aware, neither the directors, their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) nor those shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

PENSION COSTS

The pension scheme contributions made by the Group during the year amounted to HK\$1,271,000 and were in respect of employees of the Group in Hong Kong who were members of a defined contribution pension scheme. The total forfeited contributions during the year were HK\$153,000. At 31 December 2000, no forfeited contributions were available to reduce the Group's contributions to the pension scheme in future years.



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DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Yau Tak Wah, Paul (<i>Chairman</i>)	
Mr. Tam Ping Wah	
Ms. Louie Mei Po	<i>(appointed on 1 February 2000)</i>
Ms. Wong Shin Ling, Irene	<i>(appointed on 1 February 2000)</i>
Mr. Tam Wing Kin	<i>(appointed on 1 February 2000)</i>
Mr. Yung Ip Ki	<i>(resigned on 1 February 2000)</i>
Mr. Tse Kam Fow	<i>(resigned on 1 February 2000)</i>
Mr. Chiu Wing Hong	<i>(resigned on 1 February 2000)</i>

Independent non-executive directors:

Mr. Ng Wai Hung	<i>(appointed on 31 March 2000)</i>
Mr. Cheung Chung Leung, Richard	<i>(appointed on 31 March 2000)</i>
Mr. Yam Po Wah	<i>(resigned on 18 February 2000)</i>
Mr. Alfred Donald Yap	<i>(resigned on 22 March 2000)</i>

In accordance with clause 87 of the Company's bye-laws, Mr. Tam Wing Kin and Ms. Wong Shin Ling, Irene will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Yau Tak Wah, Paul and Mr. Tam Ping Wah have entered into service contracts with the Company for a fixed term of three years from 21 July 1998 to 20 July 2001, which thereafter were terminable by either party upon the giving of six months' notice. During the year, on 26 April 2000, these two directors entered into new service contracts with the Company for a fixed term of three years from 26 April 2000 to 25 April 2003, which thereafter are terminable by either party upon the giving of six months' notice. The new service contracts supersede all previous agreements and arrangements relating to these directors' employment.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment other than statutory compensation.



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES

At 31 December 2000, the interests of the directors in the listed securities of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Director	Notes	Nature of interest	Number of shares
Mr. Yau Tak Wah, Paul	1	Corporate	49,674,000
Mr. Tam Ping Wah	2	Corporate	80,000

Notes:

1. These shares were held through Pacific Shore Profits Limited, a company beneficially owned by Mr. Yau Tak Wah, Paul.
2. These shares were held through Strong Trend International Limited, a company beneficially owned by Mr. Tam Ping Wah.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company has a share option scheme, which was approved on 21 July 1995, under which the directors may grant options to executive directors and employees of the Group to subscribe for up to 10% of the nominal amount of the issued share capital of the Company.

During the year, the Company granted the following share options to directors:

- (a) On 11 February 2000, 7,900,000 share options were granted to Ms. Louie Mei Po to subscribe for a total of 7,900,000 shares of the Company at an exercise price of HK\$0.68 per share. These share options are exercisable within three years from 11 August 2000.
- (b) On 20 March 2000, 6,600,000 and 3,600,000 share options were granted to Ms. Louie Mei Po and Ms. Wong Shin Ling, Irene, respectively, to subscribe for a total of 10,200,000 shares of the Company at an exercise price of HK\$0.488 per share. These share options are exercisable within three years from 20 September 2000.
- (c) On 2 May 2000, 3,000,000, 6,400,000 and 3,000,000 share options were granted to Ms. Louie Mei Po, Ms. Wong Shin Ling, Irene, and Mr. Tam Ping Wah, respectively, to subscribe for a total of 12,400,000 shares of the Company at an exercise price of HK\$0.27 per share. These share options are exercisable within three years from 2 November 2000.



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DIRECTORS' RIGHTS TO ACQUIRE SHARES (Continued)

None of the above share options was exercised during the year and a summary of share options held by each director is as follows:

Directors	Number of share options outstanding at 31 December 2000	Exercise Period	Exercise price per share HK\$
Ms. Louie Mei Po	7,900,000	11/8/2000-10/8/2003	0.680
	6,600,000	20/9/2000-19/9/2003	0.488
	3,000,000	2/11/2000-1/11/2003	0.270
Ms. Wong Shin Ling, Irene	3,600,000	20/9/2000-19/9/2003	0.488
	6,400,000	2/11/2000-1/11/2003	0.270
Mr. Tam Ping Wah	3,000,000	2/11/2000-1/11/2003	0.270

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, 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.

REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' remuneration and that of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

DIRECTORS' INTERESTS IN CONTRACTS

Details of contracts during the year in which the directors were interested are set out in note 29 to the financial statements.



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SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the following interest of 10% or more in the issued share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of SDI the Ordinance.

Name	Number of ordinary shares held	Percentage of issued share capital
Winspark Venture Limited (<i>Note</i>)	212,262,000	25.72

Note: The entire issued share capital of Winspark Venture Limited is beneficially owned by Mr. Chan Yuen Ming.

Save as disclosed above, no other person 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.

CONNECTED PARTY TRANSACTIONS

Details of the connected party transactions are set out in note 29 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") in 1999 in compliance with the requirements of the Code of Best Practice as set out in Appendix 14 of the Listing Rules. Mr. Yam Po Wah and Mr. Alfred Donald Yap were appointed as members upon the establishment of the Audit Committee. On 18 February 2000 and 22 March 2000, Mr. Yam Po Wah and Mr. Alfred Donald Yap, respectively, resigned as members of the Audit Committee. On 31 March 2000, Mr. Ng Wai Hung and Mr. Cheung Chung Leung, Richard were appointed as members of the Audit Committee. The work of the Audit Committee has covered the full financial year ended 31 December 2000.

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 throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's bye-laws.



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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

Yau Tak Wah, Paul

Chairman

Hong Kong

20 April 2001

