

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 principal activities of the subsidiaries and associates consisted of the design, development, manufacture and sale of computer monitors and components, consumer electronic products, corporate finance and investment services, leisure and entertainment and the distribution of branded products. There were no change in the nature of these activities during the year.

SEGMENTED INFORMATION

Details of turnover and segmented information are set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's results 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 33 to 78.

An interim dividend of HK12 cents per ordinary share was paid on 5 October 2000. The directors recommend the payment of a final dividend of HK20 cents per share in respect of the year to the shareholders on the register of members on 15 June 2001.

COMPLIANCE WITH THE 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year covered by the annual report. Independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-Laws.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2000	1999	1998	1997	1996
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
TURNOVER	8,309	5,757	4,598	7,731	6,367
PROFIT BEFORE TAX	637	380	189	294	202
Tax	(13)	(11)	(5)	(10)	(1)
PROFIT BEFORE MINORITY INTERESTS	624	369	184	284	201
Minority interests	(218)	(174)	(64)	(93)	(64)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	406	195	120	191	137

SUMMARY FINANCIAL INFORMATION (Continued)

ASSETS AND LIABILITIES

	31 December				
	2000 <i>HK\$</i> <i>million</i>	1999 <i>HK\$</i> <i>million</i>	1998 <i>HK\$</i> <i>million</i>	1997 <i>HK\$</i> <i>million</i>	1996 <i>HK\$</i> <i>million</i>
NON-CURRENT ASSETS	2,394	2,227	2,030	1,771	1,744
CURRENT ASSETS	3,964	3,296	1,363	2,071	2,416
TOTAL ASSETS	6,358	5,523	3,393	3,842	4,160
CURRENT LIABILITIES	3,777	3,109	1,396	1,851	2,228
NON-CURRENT LIABILITIES	50	53	179	235	268
TOTAL LIABILITIES	3,827	3,162	1,575	2,086	2,496
	2,531	2,361	1,818	1,756	1,664
SHARE CAPITAL AND RESERVES	1,469	1,656	1,403	1,391	1,318
MINORITY INTERESTS	1,062	705	415	365	346
	2,531	2,361	1,818	1,756	1,664

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 12 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates are set out in notes 14, 31 and 15 to the financial statements, respectively.

SHARE CAPITAL, SHARE PREMIUM, OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share premium, options and warrants are set out in notes 23, 24 and 32 to the financial statements.

BORROWINGS

Details of the borrowings of the Company and the Group are set out in notes 20 and 29 to the financial statements.

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's reserves available for cash distribution to shareholders, calculated under the provisions of the Companies Act 1981 of Bermuda amounted to HK\$174 million.

The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

During the year under review, sales to the five largest customers accounted for 60% of the total sales for the year and sales to the largest customer included therein amounted to 20%.

Purchases from the five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 6 to the financial statements.

DIRECTORS

The directors of the Company during the year were:

Mr. Christopher W. Ho
Mr. Michael K. K. Cheung (resigned on 28 February 2001)
Mr. C. F. Lam
Mr. Adrian C. C. Ma
Mr. Duncan T. K. Hon (appointed on 25 April 2000)
Mr. Samuel K. Yuen
Mr. Paul K. F. Law
Mrs. Christine L. S. Asprey
Mr. Alain A. Eman
Mr. M. K. Lee (resigned on 21 September 2000)
Mr. S. H. Hwang (resigned on 25 April 2000)
Mr. John T. Evans (resigned on 25 April 2000)
Mr. Herbert H. K. Tsoi
Mr. Terence P. Scandrett
Ms. Anita S. C. Chiu (appointed on 25 April 2000)

In accordance with Bye-Law 99, Mr. Christopher W. Ho, Mr. C. F. Lam, Mr. Samuel K. Yuen and Mr. Paul K. F. Law will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

There were no unexpired service contracts which are not determinable by the Company within one year without compensation, other than statutory payments, in respect of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN SHARE CAPITAL

The interests of the directors and their associates in the equity or debt securities of the Company and its associated corporations as required to be recorded in the Register of Directors' Interests maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") at the balance sheet date are set out below:

Directors	Number of issued ordinary shares of HK\$2.50 each in the Company	
	Personal interests	Corporate interests
Mr. Christopher W. Ho	–	295,067,713*
Mr. C. F. Lam	303,600	–
Mr. Adrian C. C. Ma	78,000	–

* Mr. Christopher W. Ho had 100% beneficial interests in The Grande International Holdings Limited ("GIHL") which owned 295,067,713 ordinary shares in the Company through its wholly owned subsidiary, Barrican Investments Corporation ("BIC").

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the share option scheme adopted by the Company, the board of directors of the Company may grant options to eligible employees of the Group, including executive directors, to subscribe for shares in the Company. Details of the share option scheme are set out in note 23 to the financial statements.

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.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Board of Directors				
Mr. Christopher W. Ho	50	President and Group Chief Executive	10	Manufacturing, international trading and corporate finance
Mr. C. F. Lam	51	Executive Director	26	Computer magnetic head industry
Mr. Adrian C. C. Ma	56	Executive Director	17	Consumer electronics industry
Mr. Duncan T. K. Hon (appointed on 25 April 2000)	40	Group Finance Director and Company Secretary	2	Finance, accounting and system
Mr. Samuel K. Yuen	46	Executive Director	9	Telecommunication, corporate finance and taxation
Mr. Paul K. F. Law	44	Executive Director	9	Consumer electronics industry
Mrs. Christine L. S. Asprey	52	Executive Director	3	International marketing, market research and industrial affairs
Mr. Alain A. Eman	57	Executive Director	8	Banking and international finance

Mr. Christopher W. Ho and Mrs. Christine L. S. Asprey are brother and sister.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS *(Continued)*

Name	Age	Position held	Number of years of service	Business experience
Independent Directors				
Mr. Herbert H. K. Tsoi	50	Non-executive Director	3	Solicitor
Mr. Terence P. Scandrett	58	Non-executive Director	7	Finance, accounting and system
Ms. Anita S. C. Chiu (appointed on 25 April 2000)	44	Non-executive Director	2	Architect

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF SENIOR MANAGEMENT STAFF

Name	Age	Position held	Number of years of service	Business experience
Finance, Treasury and Legal				
Ms. Ruby Y. K. Lee	39	Group Legal Counsel	7	Solicitor
Mr. Simon S. M. Ho	40	Deputy Group Finance Director	1	Finance and accounting
Mr. Benjamin W. S. Ngai	43	Director of Finance	2	Finance and accounting
Mr. Andy C. W. Tang	36	Director of Finance	2	Finance and accounting
Ms. Maliwan Chinvorakijkul	31	Director of Finance	7	Finance and accounting

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF SENIOR MANAGEMENT STAFF
(Continued)

Name	Age	Position held	Number of years of service	Business experience
Electronics Manufacturing Services Division				
Ms. Anissa Y. Y. Choi	46	Deputy Managing Director	20	Consumer electronics industry
Mr. Bill J. H. Chou	40	Deputy Managing Director	16	Consumer electronics industry
Ms. Diddy H. K. Cheng	51	Director – Manufacturing	22	Consumer electronics industry
Mr. Keiji Sakamoto	55	Director – Manufacturing	8	Consumer electronics industry
Magnetic Heads Division				
Mr. K. T. Fok	40	Director – Engineering and Operations	18	Computer industry
Mr. P. S. Yip	51	Director – Manufacturing	13	Computer industry
Branded Distribution Division				
Mr. Takeshi Nakamichi	51	Deputy Managing Director	29	Product research and development
Mr. Michael A. B. Binney	41	Deputy Managing Director	11	Direct distribution
Mr. Dean A. Miller	45	Executive Director	2	Sales and marketing
Mr. Christopher T. O. Chiang	44	Executive Director	2	Sales and marketing

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF SENIOR MANAGEMENT STAFF

(Continued)

Name	Age	Position held	Number of years of service	Business experience
Leisure and Entertainment Division				
Mr. Manjit Gill	34	Director – Operations	6	Leisure and entertainment industry

SUBSTANTIAL SHAREHOLDERS

Pursuant to Section 16(1) of the SDI Ordinance, no persons other than Mr. Christopher W. Ho, GIHL and BIC, whose interests are disclosed in “Directors’ Interests in Share Capital” above, had registered an interest in the Company’s issued shares at 31 December 2000 amounting to 10% or more of the ordinary shares in issue.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s Bye-Laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CONNECTED TRANSACTIONS

- (i) The Group, through its wholly owned subsidiary, Tomei Technologies Limited (“Tomei”), entered into an agreement on 2 April 2000 with O2New Technology Limited (“O2New”) under which Tomei would acquire from O2New the entire issued share capital of Tomei International (BVI) Limited (“Tomei Int’l”), a wholly owned subsidiary of O2New, for a consideration of HK\$181 million. Tomei Int’l owns the O2New group’s manufacturing business of consumer electronic products. This transaction was approved by the independent shareholders of O2New at a Special General Meeting held on 23 May 2000 and was completed in June 2000.

CONNECTED TRANSACTIONS *(Continued)*

- (ii) On 30 March 2000, the Company entered into two subscription agreements with BIC, as explained in note 23 to the financial statements, pursuant to which BIC would subscribe for a total of 103,562,457 new shares of the Company at HK\$4.25 each. The first subscription was completed on 3 April 2000 and the shares under which were issued under a general mandate granted to the directors in the 1999 Annual General Meeting. By virtue of the interests of BIC in the Company, the second subscription constitutes a connected transaction for the Company under the Listing Rules, and it was approved by the Independent Shareholders at the Special General Meeting on 23 May 2000.
- (iii) O2New Technology Limited and its associates (the "O2New Group") was a connected person of the Group during the year. During the year, the O2New group sold components, audio and video products of HK\$25.5 million, purchased raw materials of HK\$0.6 million and paid general and administrative expenses of HK\$14.3 million to the Group. The net outstanding balance due from the O2New group at the balance sheet date amounted to HK\$513 million. Interest and charges of HK\$103.8 million were charged on these loans during the year. These transactions were carried out on normal commercial terms, in the ordinary and usual course of business of the Group and, in the opinion of the directors, are fair and reasonable insofar as the shareholders of the Company are concerned.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES**Advance to an Entity**

As disclosed in last year's annual report, O2New, a then subsidiary of the Company, entered into a loan agreement in which O2New agreed to extend an on demand revolving loan facility of up to HK\$630 million to the Akai Group for the attempted rescue and restructuring thereof. As at 31 December 2000, the advance receivable from O2New in relation to the Akai rescue amounted to HK\$425 million (1999: 238 million).

AUDITORS

During the year, Messrs. Ernst & Young, who acted as auditors of the Company for the past 10 years resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company. Messrs. Deloitte Touche Tohmatsu 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

Christopher W. Ho

President and Group Chief Executive

Hong Kong
26 April 2001