

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. Details of the principal activities of the principal subsidiaries are set out in note 14 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

Segmental information

An analysis of the Group's turnover and contribution to profit before tax by principal activity and geographical area of operations for the year ended 31 December 2000 is as follows:

	Turnover		Contribution to profit before tax	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Distribution of computer hardware products	275,343	252,749	6,628	21,286
Distribution of computer software products	76,698	42,181	4,764	7,416
Provision of computer technology services	65,206	55,368	9,320	13,703
	417,247	350,298	20,712	42,405
By geographical area:				
The People's Republic of China (the "PRC"):				
Hong Kong	40,721	35,412	1,657	4,087
Elsewhere	376,526	314,886	19,055	38,318
	417,247	350,298	20,712	42,405

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 31 to 70.

An interim dividend of HK1.5 cents per share was paid on 13 October 2000. The directors recommend the payment of a final dividend of HK0.5 cent per share in respect of the year ended 31 December 2000 to shareholders whose names appear on the register of members on 30 May 2001. This recommendation has been incorporated in the financial statements.

Summary financial information

The following is a summary of the published consolidated/combined results and of the assets and liabilities of the Group prepared on the basis set out in the notes below.

RESULTS

	Year ended 31 December				
	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	417,247	350,298	251,490	171,857	179,105
PROFIT BEFORE TAX	20,712	42,405	27,780	21,623	18,994
Tax	(871)	(6,205)	(4,771)	(3,688)	(3,247)
PROFIT BEFORE MINORITY INTERESTS	19,841	36,200	23,009	17,935	15,747
Minority interests	(1,628)	(1,922)	(30)	(270)	(102)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	18,213	34,278	22,979	17,665	15,645

ASSETS AND LIABILITIES

	31 December		
	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS	94,675	27,983	6,152
CURRENT ASSETS	378,610	245,195	175,589
CURRENT LIABILITIES	(130,174)	(148,580)	(151,651)
NET CURRENT ASSETS	248,436	96,615	23,938
TOTAL ASSETS LESS CURRENT LIABILITIES	343,111	124,598	30,090
NON-CURRENT LIABILITIES	(1,529)	(1,833)	(1,037)
MINORITY INTERESTS	(4,540)	(2,158)	(544)
	337,042	120,607	28,509

Report of the Directors (continued)

Summary financial information (continued)

Notes:

1. The summary of the published combined results of the Group for each of the three years ended 31 December 1998 has been extracted from the Company's prospectus dated 22 June 1999. The summary was prepared based on the audited financial statements of the companies then comprising the Group as at 31 December 1998, after appropriate adjustments and reclassifications, as if the Group structure had been in existence throughout these financial years. The results of the Group for the years ended 31 December 1999 and 2000 are set out on page 31 of the financial statements.
2. The only published consolidated/combined balance sheets are those as at 31 December 1998, 1999 and 2000. The consolidated/combined balance sheets as at 31 December 1998 and 1999 are extracted from the published financial statements for the year ended 31 December 1999, prepared on the basis as if the Group had been in existence for each of these years.

Fixed assets

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 12 to the financial statements.

Subsidiaries

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

Borrowings

Details of the borrowings of the Company and the Group are set out in notes 21 and 22 to the financial statements.

Share capital and share options

Details of movements in the Company's share capital during the year, together with the reasons therefor, and details of the Company's share option scheme are set out in note 24 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 distribution, calculated in accordance with The Companies Act 1981 of Bermuda, amounted to HK\$39,729,000. In addition, the Company's share premium account, in the amount of HK\$277,121,000 at 31 December 2000, may be distributed in the form of fully paid bonus shares.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, redemption or sale of listed securities of the Company

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

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 40% of the total sales for the year and sales to the largest customer included therein amounted to 19%. Purchases from the Group's five largest suppliers accounted for 37% of the total purchases for the year and purchases from the largest supplier included therein amounted to 9%.

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

Directors

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

Executive directors:

Mr. Chan Tze Ngon, Ron

Mr. Luk Chung Po, Terence

Mr. Tang Kin Hung, Barry

Mr. Chow Siu Lam, Cliff

(appointed on 17 April 2000)

Mr. Leung Yat Chuen, Kennard

(resigned on 17 April 2000)

Mr. Ng Kin Wah, Francis

(resigned on 31 March 2001)

Non-executive director:

Mr. Derek Peter Althorp

Independent non-executive directors:

Dr. Lo Siew Kiong, John

Dr. Chou Tao Hsiung, Joseph

In accordance with bye-law 111 of the Company's bye-laws, Dr. Lo Siew Kiong, John and Dr. Chou Tao Hsiung, Joseph will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. Apart from Mr. Chan Tze Ngon, Ron and Mr. Luk Chung Po, Terence, all the other directors of the Company, including the non-executive directors, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's bye-laws.

Report of the Directors (continued)

Directors' and senior management's biographies

Biographical details of the directors of the Company and of the senior management of the Group are set out on pages 17 to 19 of this annual report.

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 contracts

Save as disclosed in note 3 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Related party transactions and connected transactions

Details of the related party transactions and connected transactions of the Group are set out in note 3 to the financial statements.

Directors' remuneration and the five highest paid employees

Details of the emoluments of the directors and of the five highest paid employees are set out in note 7 to the financial statements.

Directors' interests in share capital

At 31 December 2000, the interests of the directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Number of issued ordinary shares of HK\$0.10 each		
	Personal interests	Corporate interests	Total interests
Mr. Chan Tze Ngon, Ron	13,814,000	128,800,000 (Note)	142,614,000
Mr. Luk Chung Po, Terence	4,830,000	–	4,830,000
Mr. Tang Kin Hung, Barry	12,600,000	–	12,600,000
Mr. Ng Kin Wah, Francis	8,450,000	–	8,450,000

Note: These shares are beneficially owned by and registered in the name of Clear Goal Holding Limited ("Clear Goal"), a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned as to 68.7% by Mr. Chan Tze Ngon, Ron and as to 31.3% by Mr. Luk Chung Po, Terence. Pursuant to a shareholders' agreement dated 12 June 1999 made between, among other persons, Mr. Chan Tze Ngon, Ron and Mr. Luk Chung Po, Terence, each of Mr. Chan Tze Ngon, Ron and Mr. Luk Chung Po, Terence was granted pre-emptive rights over the other's shares in the Company and in Clear Goal.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, at 31 December 2000, none of the directors or their associates had any personal, family, corporate or other interest in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

Directors' rights to acquire shares or debentures

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 12 June 1999, the board of directors is authorised, on or before 11 June 2009, at its absolute discretion, to grant options to employees, including executive directors of the Company or any of its subsidiaries, to subscribe for shares in the Company. Further details of the share option scheme are set out in note 24 to the financial statements. The Scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 6 July 1999.

Report of the Directors (continued)

Directors' rights to acquire shares or debentures (continued)

Pursuant to the Scheme, the Company granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

Name of director	Number of share options granted during the year	Number of share options exercised during the year	Number of share options outstanding at 31 December 2000	Exercise price	Exercise period
Mr. Ng Kin Wah, Francis	1,320,000	–	1,320,000	HK\$2.532	21 January 2001 to 20 January 2010
Mr. Chow Siu Lam, Cliff	500,000	–	500,000	HK\$1.82	31 May 2001 to 30 May 2010
	<u>1,820,000</u>	<u>–</u>	<u>1,820,000</u>		

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholders

Other than the shares held by Clear Goal, as disclosed in the section headed "Directors' interests in share capital" above, which represent 35.6% of the Company's issued share capital at the balance sheet date, no other person had registered an interest of 10% or more in the issued share capital of the Company that was required to be recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance.

Pension schemes

Details of the pension schemes 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 5 to the financial statements, respectively.

Code of Best Practice

In the opinion of the directors, the Company 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 accounting period covered by this report, except that the non-executive directors of the Company were not appointed for specific terms but were subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws. The Company established an audit committee in 1999, which comprises two independent non-executive directors, in accordance with paragraph 14 of the Code of Best Practice. The audit committee meets regularly mainly to consider the nature and scope of audit reviews, the effectiveness of the internal control systems and compliance with the relevant rules and regulations.

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

Chan Tze Ngon, Ron

Chairman

Hong Kong
25 April 2001