

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 subsidiaries are set out in note 12 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

During the current year and prior year, the Group's turnover and operating loss have been derived principally from the design, manufacture and marketing of a wide range of electronic consumer products, including pagers, calculators and electronic toys.

An analysis of the Group's turnover and contribution to loss from operating activities by geographical area of operations is as follows:

	Turnover	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
The People's Republic of China, excluding Hong Kong	89,418	45,727
Hong Kong and Far East	13,821	6,858
North America	43,879	37,065
Europe	48,517	7,004
	<u>195,635</u>	<u>96,654</u>
	Contribution to loss from operating activities	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
The People's Republic of China, excluding Hong Kong	(19,831)	(60,505)
Hong Kong and Far East	(346)	(4,492)
North America	(245)	(14,133)
Europe	(185)	(2,406)
	<u>(20,607)</u>	<u>(81,536)</u>

RESULTS AND DIVIDENDS

The Group's loss 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 22 to 50.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 51 to 52. This summary is not part of the audited financial statements.

FIXED ASSETS

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 12 to the financial statements.

ASSOCIATES

Particulars of the Company's and the Group's interests in associates are set out in note 13 to the financial statements.

BANK LOANS

Details of the Group's bank loans are set out in note 19 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 20 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands 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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2000, calculated under section 34 of the Companies Law (2000 Revision) of the Cayman Islands, amounted to HK\$14,715,729. The distribution of such reserves is subject to a solvency test of the Company and the provisions of the articles of association of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 55% of the total sales for the year and sales to the largest customer included therein amounted to 39%.

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

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

Report of the Directors

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. YEH Shuen Ji
Mr. XU Xiaolu (appointed on 1 July 2000)
Mr. ZHANG Zhifang
Mr. DAI Xiaojing
Mr. Jack William FLADER JR.
Ms. KAM Anais (formerly named JIN Yan)
Mr. WU Rulin

Independent non-executive directors:

Mr. WANG Boming
Mr. FU Fengxiang

Subsequent to the balance sheet date, Mr. WANG Boming, who was an independent non-executive director of the Company, was appointed as an executive director of the Company and Mr. YANG Lang was appointed as an independent non-executive director of the Company with effect from 3 April 2001. Mr. Jack William FLADER JR., who was an executive director of the Company, was appointed as a non-executive director of the Company with effect from 17 May 2001.

In accordance with articles 101 and 119 of the Company's articles of association, Messrs. ZHANG Zhifang, Jack William FLADER JR., WANG Boming and YANG Lang will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

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

No directors had a material beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries and associates was a party during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2000, the interests of the directors in the share capital of the Company 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 shares held and nature of interest		
	Personal	Family	Total
Mr. XU Xiaolu	2,100,000	3,250,000	5,350,000

Save as disclosed above and other than certain nominee shares in subsidiaries held in trust for the Group by certain directors, 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 as at 31 December 2000.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Details of the share option scheme of the Company are set out in note 20 to the financial statements.

At no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Company's directors or 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, according to the register required to be kept by the Company under Section 16(1) of the SDI Ordinance, the following shareholders were directly or indirectly interested in 10% or more of the issued share capital of the Company:

Name	Number of ordinary shares held	Percentage of interest
Zetland Financial Group Limited	197,644,210	21.86%
Risor Limited	172,644,210	19.10%
Carlet Investments Ltd.	172,644,210	19.10%

SUBSTANTIAL SHAREHOLDERS *(continued)*

The 172,644,210 shares of the Company were directly owned by Carlet Investments Ltd., and were indirectly owned by Risor Limited by virtue of its 68% interest in Carlet Investments Ltd., and were in turn also indirectly owned by Zetland Financial Group Limited by virtue of its 100% interest in Risor Limited. In addition to these 172,644,210 shares, 25,000,000 shares, representing 2.76% of the Company's shares in issue, were directly owned by Zetland Financial Group Limited.

Save as disclosed above, the directors of the Company are not aware of any other person who, as at the balance sheet date, was, directly or indirectly, beneficially interested in 10% or more of the issued share capital of the Company.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 26 to the financial statements.

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 accounting period covered by the annual report, except that independent non-executive directors are not appointed for specific terms of office but are subject to retirement by rotation in accordance with the articles of association of the Company. The Company established an audit committee in 1998 in accordance with paragraph 14 of the Code of Best Practice.

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

YEH Shuen Ji

Chairman

Hong Kong

19 July 2001