

The directors present their annual report and the audited financial statements for the year ended 30th June, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its principal subsidiaries are engaged in the manufacture and sale of telephones and computer related products.

RESULTS

The results of the Group for the year ended 30th June, 2001 are set out in the consolidated income statement on page 16.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th June, 2001, the five largest customers of the Group together accounted for approximately 97% of the Group's turnover and the aggregate purchases attributable to the Group's five largest suppliers were 97%. The largest customer accounted for approximately 43% of the Group's turnover and the largest supplier accounted for approximately 71% of the Group's purchases.

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 share capital of any of the Group's five largest customers.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 44.

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

Details of the Company's principal subsidiaries at 30th June, 2001 are set out in note 27 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital and share options of the Company are set out in notes 16 and 17 to the financial statements, respectively.

RESERVES

Details of movements during the year in the reserves of the Group and of the Company are set out in note 18 to the financial statements.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Lui Shun Wa, Alexander	
Ms. Zhou Hongwen	(appointed on 1st September, 2000)
Mr. Cheng Dongsheng	(appointed on 1st September, 2000)
Ms. Li Wei	(appointed on 29th March, 2001)
Mr. Sun Darui	(appointed on 29th March, 2001)
Mr. Ho Hau Chong, Norman	(resigned on 26th July, 2000)
Mr. Wu Ka Kay	(resigned on 29th March, 2001)
Mr. Law Ka Keung	(resigned on 29th March, 2001)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Link Carl, Brian	
Mr. Chan Pei Cheong, Andy	(appointed on 8th March, 2001)
Mr. Wei Chi Kuan	(resigned on 19th April, 2001)

In accordance with Clause 91 of the Company's Bye-Laws, all the remaining directors retire at the forthcoming annual general meeting and offer themselves for re-election.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the above clause.

DIRECTORS' SERVICE CONTRACTS

None of the directors has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTOR'S INTERESTS IN SHARES

Other than certain nominee shares in subsidiaries held by directors in trust for the Company, at 30th June, 2001 none of the directors or the chief executive, or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company has a share option scheme, details of which are set out in note 17 to the financial statements.

A summary of the movements during the year in the share options granted to the directors under the Scheme is as follows:

Name of director	Month of grant	Exercisable period	Exercise price per share HK\$	Number of share options		
				At 1. 7. 2000	Granted during the year	At 30.6.2001
Mr. Lui Shun Wa,	May 2000	3.11.2000 – 2.11.2001	0.5056	2,000,000	–	2,000,000
Alexander	April 2001	23.10.2001 – 22.3.2003	0.1824	–	6,000,000	6,000,000
Mr. Tsang Link Carl, Brian	April 2001	23.10.2001 – 22.3.2003	0.1824	–	1,000,000	1,000,000

None of the above share options granted was exercised during the year.

Save as aforesaid, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of the Company or any other body corporate, and none of the directors or the chief executive or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2001 the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the issued share capital of the Company:

Name	Number of shares	%
Pioneer Wealth Limited	218,800,000	33.99
Ms. Deng Hong	218,800,000 (Note)	33.99

Note: Ms. Deng Hong beneficially owns 100% of Pioneer Wealth Limited and is accordingly deemed by the SDI Ordinance to be interested in the shares of the Company beneficially owned by Pioneer Wealth Limited.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2001.

DIRECTORS' INTEREST IN CONTRACTS

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

RETIREMENT BENEFITS SCHEME

The Group has wound up the defined contribution scheme registered under ORSO with effect from 1st December, 2000 and all members joined the Mandatory Provident Fund Scheme from 1st December, 2000.

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

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

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.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30th June, 2001 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.

AUDITORS

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

On behalf of the Board

Li Wei
Director

24th October, 2001