

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 30 September 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consist of the design, manufacture and sale of DC switches, AC switches, jacks, AC sockets and speaker terminals, all of which are basic components commonly used in electrical appliances and electronic products such as audio, video and telecommunications equipment, toys and computers. There were no significant 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/(loss) before tax by principal activity and geographical area of operations for the year ended 30 September 2001 is as follows:

	Turnover		Contribution to profit/(loss) before tax	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By activity:				
DC switches	48,518	78,962	(10,677)	(1,208)
AC switches	2,615	4,340	(500)	(39)
Jacks	71,221	55,687	(14,785)	(551)
AC sockets	10,964	15,987	(2,176)	(176)
Speaker terminals	14,109	17,049	(2,836)	(198)
	147,427	172,025	(30,974)	(2,172)
Interest income			5,969	6,320
			(25,005)	4,148
By geographical area:				
People's Republic of China:				
Hong Kong, SAR	111,207	142,762	(19,709)	699
Other countries	36,220	29,263	(5,296)	3,449
	147,427	172,025	(25,005)	4,148

REPORT OF THE DIRECTORS

10 WING LEE HOLDINGS LIMITED
ANNUAL REPORT 2001

RESULTS AND DIVIDENDS

The Group's loss for the year ended 30 September 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 19 to 40.

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

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published combined/consolidated results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in note 1 below.

Results

	Year ended 30 September				
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	147,427	172,025	123,843	145,711	170,863
Profit/(loss) before tax	(25,005)	4,148	13,940	7,992	64,959
Tax	(61)	(2,692)	(2,549)	(2,800)	(5,672)
Profit/(loss) before minority interests	(25,066)	1,456	11,391	5,192	59,287
Minority interests	211	–	–	–	–
Net profit/(loss) from ordinary activities attributable to shareholders	(24,855)	1,456	11,391	5,192	59,287

Assets and Liabilities

	30 September				
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	211,462	238,580	221,098	207,141	234,789
Total liabilities	(65,618)	(67,940)	(50,620)	(44,954)	(74,425)
Minority interests	(59)	–	–	–	–
Net assets	145,785	170,640	170,478	162,187	160,364

SUMMARY FINANCIAL INFORMATION *(Continued)*

Note:

1. The summary of the combined results for the year ended 30 September 1997 includes the results of the Company and its subsidiaries as if the current structure of the Group had been in existence throughout that financial year. The results of the Group for the four years ended 30 September 2001 are extracted from the published audited financial statements of the Group.

FIXED ASSETS

Details of movements in the fixed assets of 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.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the five largest customers of the Group accounted for 39% of the Group's total sales for the year and sales to the Group's largest customer included therein amounted to 12%.

Purchases from the five largest suppliers accounted for 59% of the Group's total purchases for the year and purchases from the Group's largest supplier included therein amounted to 19%.

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the knowledge of the directors owned more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers and five largest suppliers.

SHARE CAPITAL, SHARE OPTIONS AND SHARE PREMIUM

Details of the Company's share capital, share options and share premium account are set out in notes 20 and 21 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 21 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 September 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$85,799,000, as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account of HK\$31,986,000 as at 30 September 2001 may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

12 WING LEE HOLDINGS LIMITED
ANNUAL REPORT 2001

DIRECTORS

The directors of the Company during the year were:

Executive Directors

Mr. Chow Tak Hung

Miss Chow Woon Yin

Miss Chui Wai Hung, Rachel

Miss Wong Siu Wah

Miss Chau Choi Fa (appointed on 28 February 2001)

Mr. So Shun Tong, Thomson (resigned on 28 February 2001)

Independent Non-executive Directors

Mr. Lau Yue Sun (appointed on 28 February 2001)

Mr. Yip Tai Him (appointed on 28 February 2001)

Mr. Chiu Pak Yue, Leo (resigned on 28 February 2001)

Mr. Hui Chiu Chung (resigned on 28 February 2001)

In accordance with the Company's bye-laws 87 and 88, Miss Wong Siu Wah and Miss Chui Wai Hung, Rachel will retire and, being eligible, will offer themselves for re-election at the forthcoming general meeting.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the directors' remuneration and that of the five highest paid employees of the Group are set out in note 6 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 April 2001 (for Miss Wong Siu Wah), 1 March 2001 (for Miss Chau Choi Fa) and 1 February 2000 (for Mr. Chow Tak Hung, Miss Chow Woon Yin and Miss Chui Wai Hung, Rachel), provide that either party to the service contract may terminate the contract by serving to the other party a written notice of not less than 3 months prior to the effective date of termination.

Apart from the foregoing, 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 SHARE CAPITAL

At 30 September 2001, the interests of the directors in the share capital of the Company and 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	Type of interest	Number of issued ordinary shares of HK\$0.10 each in the Company
Mr. Chow Tak Hung	Corporate	208,930,000*
Miss Chow Woon Yin	Corporate	208,930,000*
Miss Wong Siu Wah	Corporate	208,930,000*

* These shares, which after the post balance sheet date consolidation of every 5 shares into 1 share of the Company on 9 November 2001 were equivalent to 41,786,000 shares of HK\$0.50 each, are owned by Bright Asia Holdings Limited. The entire issued share capital of Bright Asia Holdings Limited is owned as to 60%, 20% and 20% by Mr. Chow Tak Hung, Miss Chow Woon Yin and Miss Wong Siu Wah, respectively.

Save as disclosed above and except for nominal shares in the Group's subsidiaries held in trust for the Group by a director, none of the directors or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the share option scheme (the "Scheme") adopted by the Company on 18 March 1997, the board of directors of the Company may, at their discretion, grant options to eligible employees of the Group, including executive directors of the Company, to subscribe for shares in the Company. Details of the Scheme are set out in note 20 to the financial statements.

Pursuant to the amendments (the "New Rules") to Chapter 17 of the Listing Rules announced by the Stock Exchange in August 2001, any options granted after 1 September 2001 must comply with the provisions of the New Rules. In the circumstances, if the Company wishes to grant options to its directors or other eligible participants in future, a new share option scheme in compliance with the New Rules is to be approved and adopted by the shareholders of the Company in general meeting. A new share option scheme in compliance with the New Rules is proposed to be adopted in the coming annual general meeting.

Details of movements in the share options granted to certain directors during the year are as follows:

Directors	At beginning of year	Number of share options		As at 30 September 2001	Exercise period	Exercise price HK\$
		Granted during the year	Exercised during the year			
Mr. Chow Tak Hung	-	6,000,000	-	6,000,000	5 October 2000 to 17 March 2007	0.244
Ms. Chow Woon Yin	-	6,000,000	-	6,000,000	5 October 2000 to 17 March 2007	0.244
Ms. Wong Siu Wah	-	6,500,000	-	6,500,000	5 October 2000 to 17 March 2007	0.244
	-	18,500,000	-	18,500,000		

DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

Pursuant to the post balance sheet date consolidation of every 5 shares into 1 share of the Company on 9 November 2001, the number of options exercisable and the exercise price of the share options were adjusted from 18,500,000 share options to 3,700,000 share options, and from HK\$0.244 to HK\$1.22 per share option, respectively.

Apart from the foregoing, at no time during the year was the Company, its holding 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.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Executive Directors

Mr. CHOW Tak Hung, aged 48, is the chairman, managing director and founder of the Group. Mr. Chow is the elder brother of Miss Chow Woon Yin and the husband of Miss Chau Choi Fa. He is responsible for the overall business strategy and policy making of the Group. Mr. Chow has over 27 years' experience in the manufacture and sale of DC switches, jacks, AC sockets and speaker terminals.

Miss CHOW Woon Yin, aged 45, is the deputy chairman of the Group and is the younger sister of Mr. Chow Tak Hung. She is responsible for the sales, sourcing and administration of the Group. She joined the Group in March 1985 and has over ten years' experience in the manufacture and sale of DC switches, jacks, AC sockets and speaker terminals.

Miss CHUI Wai Hung, Rachel, aged 34, is the finance director and company secretary of the Group. Miss Chui is responsible for the Group's corporate finance and accounting matters. She holds a bachelor's degree in business administration from the Chinese University of Hong Kong. She is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Society of Accountants.

Miss WONG Siu Wah, aged 54, is the marketing director of the Group. Miss Wong is responsible for the sales of the Group in overseas markets. Prior to becoming an executive director of the Company in March 1998, Miss Wong served as a director of various subsidiaries of the Company for a number of years and also had over 15 years' experience in the toy industry.

Miss CHAU Choi Fa, aged 33, is the production director of the Group and is the wife of Mr. Chow Tak Hung. She is responsible for the overall production planning and management of the Group. She joined the Group in November 1988 and has over 18 years' experience in the manufacture and sale of DC switches, jacks, AC sockets and speaker terminals.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

(Continued)

Independent Non-executive Directors

Mr. LAU Yue Sun, aged 60, is an independent non-executive director of the Group. He is also the managing director and general manager of New Products Enterprise Limited, New Products Investment Limited and Jip Fair Development Limited, as well as being a director of Goldlion Holdings Limited. He has over 30 years' experience in the manufacturing of electronics and plastic injection products, and in the import-export business. He is a member of the National Committee of the Chinese People's Political Consultative Conference, a member of the first and second Election Committees of the Hong Kong Special Administrative Region, a standing committee member of the Chinese General Chamber of Commerce, and the chairman of the New Territories Commercial & Industrial General Association Limited. He is also an advisor to the Educational Foundation of Guangdong Province and the vice-chairman of the Guangdong General Chamber of Commerce and the Shenzhen General Chamber of Commerce. Mr. Lau was awarded the Bronze Bauhinia Star of the Hong Kong Special Administrative Region in 2000, and Doctor of Philosophy, Honoris Causa in Business Administration by the American M & N University.

Mr. YIP Tai Him, aged 31, is an independent non-executive director of the Group. Mr. Yip is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Society of Accountants. He is an executive director of a listed company in Hong Kong.

Senior Management

Mr. LIU Rong Gen, aged 45, is the factory manager of the Group. Mr. Liu is responsible for the production and administration of the Group's factory in the People's Republic of China (the "PRC"). Before joining the Group in June 1992, he was an officer of the Sijia Government in Dongguan, the PRC.

Mr. YE Maan Quiao, aged 37, is the deputy factory manager of the Group. Mr. Ye is responsible for the daily production of the Group. He joined the Group in April 1985 and has 13 years' experience in the electronic component manufacturing field.

Miss CHAN Sze Wan, Brenda, aged 30, is the marketing manager of the Group. Miss Chan joined the Group in October 1992 and is responsible for the Group's administration, sales and marketing. Prior to joining the Group, she had over three years' experience in sales and marketing in the garment business.

Mr. LAU Siu Luen, aged 48, is the engineering manager of the Group. Mr. Lau is responsible for the metallic mould-making and plastic mould-making operations of the Group. He joined the Group in April 1995 and has over 24 years' experience in mould-making and management.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group had material transactions in the normal course of business with a related company. Mr. Chow Tak Hung was interested in these transactions to the extent that he has direct beneficial interests in the related company. Further details of these transactions are set out in note 3 to the financial statements.

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

REPORT OF THE DIRECTORS

16 WING LEE HOLDINGS LIMITED
ANNUAL REPORT 2001

PENSION SCHEME

Details of the pension scheme of the Group are set out in notes 2, 5 and 6 to the financial statements.

RELATED PARTY TRANSACTIONS

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

SUBSTANTIAL SHAREHOLDERS

At 30 September 2001, the following party was interested in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 16 (1) of the SDI Ordinance.

Name	Number of issued ordinary shares held	Percentage of total issued ordinary shares
Bright Asia Holdings Limited	208,930,000 *	74.62%

* Pursuant to the post balance sheet date consolidation of every 5 shares into 1 share of the Company on 9 November 2001, this shareholding was equivalent to 41,786,000 shares of HK\$0.50 each.

The entire issued share capital of Bright Asia Holdings Limited is held as to 60% by Mr. Chow Tak Hung, 20% by Miss Chow Woon Yin and 20% by Miss Wong Siu Wah, directors of the Company.

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.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 24 to the financial statements.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 30 September 2001.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the Companies Act 1981 of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 (the "Listing Rules") throughout the accounting period covered by the annual report, save that the non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's bye-laws.

AUDIT COMMITTEE

To comply with Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company set up an Audit Committee (the "Committee") in January 2000. The Committee has adopted written terms of reference for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Company's two independent non-executive directors are appointed as members of the Committee.

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

Chow Tak Hung

Chairman and Managing Director

Hong Kong

27 December 2001