

REPORT OF THE DIRECTORS

The directors herein present their first report and the audited financial statements of the Company for the period from 29 January 2001 (date of incorporation) to 31 December 2001 and of the Group for the year ended 31 December 2001.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 January 2001 under the Companies Law (Revised) of the Cayman Islands. Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 2 September 2001. Further details of the Group Reorganisation, together with details of the subsidiaries acquired pursuant thereto, are set out in notes 1, 15 and 23 to the financial statements, and in the Company's prospectus dated 6 September 2001.

On 18 September 2001, the shares of the Company were listed on the Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by geographical location of customers for the year ended 31 December 2001 is set out in note 6 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 70.

RESULTS AND DIVIDENDS (continued)

The directors recommend the payment of a final dividend of HK2.0 cents per ordinary share in respect of the period ended 31 December 2001. This recommendation has been incorporated in the financial statements as an allocation of retained profits within capital and reserves in the balance sheet. Further details of this accounting treatment are set out in note 12 to the financial statements.

In addition, the directors propose: (i) the grant of two bonus shares for every one ordinary share of HK\$0.01 each in the issued share capital of the Company; and (ii) the grant of one bonus warrant for every five ordinary shares held, based on the enlarged share capital of the Company after the grant of the bonus shares; to shareholders whose names appear on the register of members on 8 May 2002.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 18 September 2001, after deduction of related issuance expenses, amounted to approximately HK\$47 million. These proceeds were partially applied during the period ended 31 December 2001 as follows:

- (a) as to approximately HK\$9 million for the acquisition of additional machinery and equipment to increase the Group's production capacity for calculators;
- (b) as to approximately HK\$4 million for the construction of factory premises to house additional machinery and equipment for the production of calculators;
- (c) as to approximately HK\$4 million for the expansion of the Group's production facilities for liquid crystal displays;
- (d) as to approximately HK\$5 million for the expansion of the Group's existing product lines of calculators and the development of new product lines such as electronic organisers and watches;

REPORT OF THE DIRECTORS

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING (continued)

- (e) as to approximately HK\$1 million for marketing and promotion; and
- (f) as to approximately HK\$10 million as general working capital for the Group.

The balance of the proceeds of approximately HK\$14 million was placed on short term deposits with financial institutions in Hong Kong as at 31 December 2001.

The actual and intended applications of the net proceeds are consistent with the plans set out in the prospectus of the Company dated 6 September 2001.

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the published consolidated/combined results and of the assets and liabilities of the Group for the years ended 31 December 1998, 1999, 2000 and 2001, prepared on the bases set out in the note below:

RESULTS

	2001 HK\$'000	Year ended 31 December		
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
TURNOVER	441,458	273,627	183,057	123,299
PROFIT FROM OPERATING ACTIVITIES	60,542	37,623	24,727	16,166
Finance costs	(796)	(536)	(317)	(12)
PROFIT BEFORE TAX	59,746	37,087	24,410	16,154
Tax	(9,658)	(5,929)	(3,847)	(2,550)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	50,088	31,158	20,563	13,604

ASSETS AND LIABILITIES

	2001 HK\$'000	At 31 December		
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
NON-CURRENT ASSETS	86,582	44,002	16,526	10,665
CURRENT ASSETS	156,517	86,771	56,037	33,667
TOTAL ASSETS	243,099	130,773	72,563	44,332
CURRENT LIABILITIES	94,981	75,678	37,855	22,073
NON-CURRENT LIABILITIES	4,352	4,011	2,783	2,897
TOTAL LIABILITIES	99,333	79,689	40,638	24,970
NET ASSETS	143,766	51,084	31,925	19,362

Note: The summary of the combined results, assets and liabilities of the Group for the years ended 31 December 1998, 1999 and 2000 have been extracted from the Company's prospectus dated 6 September 2001. The results of the Group for the year ended 31 December 2001 and the assets and liabilities of the Group as at that date are those set out on pages 31 and 33 of the financial statements, respectively. The summary of the consolidated/combined results, assets and liabilities of the Group includes the results, assets and liabilities of the Company and its subsidiaries as if the current structure of the Group had been in existence throughout the years ended 31 December 1998, 1999, 2000 and 2001, and is presented on the basis set out in note 4 to the financial statements.

REPORT OF THE DIRECTORS

FIXED ASSETS

Details of the movements in the Group's fixed assets during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the period from 29 January 2001 (date of incorporation) to 31 December 2001, together with the reasons therefor, are set out in note 23 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, 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

The Company's shares were listed on the Stock Exchange on 18 September 2001. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since 18 September 2001.

RESERVES

Details of the movements in the reserves of the Company and the Group during the period/year are set out in note 24 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2001, the Company had distributable reserves of approximately HK\$133,526,000. Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company of approximately HK\$123,263,000 as at 31 December 2001, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions of approximately HK\$1,177,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total sales and purchases for the year, respectively.

DIRECTORS

The directors of the Company during the period from 29 January 2001 (date of incorporation) to 31 December 2001 were as follows:

Executive directors

Mr. Lam Ping Kei	(appointed on 29 January 2001)
Ms. Wong Choi Fung	(appointed on 29 January 2001)
Ms. Lam Chu Ying	(appointed on 1 September 2001)
Mr. Ng Ying Yin	(appointed on 1 September 2001)
Mr. Law Wai Fai	(appointed on 1 September 2001)

Independent non-executive directors

Mr. Kwan Kai Ming	(appointed on 1 September 2001)
Mr. Lin Tian Shen	(appointed on 1 September 2001)

In accordance with the Company's articles of association, Mr. Law Wai Fai and Mr. Kwan Kai Ming will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of the independent non-executive directors is currently appointed for a term of two years commencing from 1 September 2001.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 15 to 17 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years (except for Ms. Lam Chu Ying, Mr. Ng Ying Yin and Mr. Law Wai Fai where their respective service contracts have a term of one year) commencing from 1 September 2001, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Save as disclosed above, 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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than in connection with the Group Reorganisation in preparation for the Company's initial public offering and those transactions disclosed in note 29 to the financial statements, no director had a significant beneficial interest, either directly or indirectly, 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2001, the interests of the directors 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:

DIRECTORS' INTERESTS IN SHARES (continued)**Ordinary shares of the Company**

Name of director	Notes	Nature of interest	Number of ordinary shares held
Mr. Lam Ping Kei	1	Corporate	234,000,000
Ms. Wong Choi Fung	2	Corporate	126,000,000

Notes:

1. These shares are owned by Super Giant Assets Limited ("Super Giant"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Super Giant is beneficially owned by Mr. Lam Ping Kei.
2. These shares are owned by Fastmath Assets Limited ("Fastmath"), a company incorporated in the BVI. The entire issued share capital of Fastmath is beneficially owned by Ms. Wong Choi Fung.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' interests in shares" above and "Share option scheme" below, 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; or 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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "SO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons or entities providing research, development or other technological support to the Group, any minority shareholder in the Company's subsidiaries and other groups or classes of participants as determined by the directors. The SO Scheme became effective on 18 September 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the SO Scheme, if earlier.

SHARE OPTION SCHEME (continued)

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

At 31 December 2001, no share options had been granted by the Company.

Any share options to be granted under the SO Scheme would not be recorded in the Company's or the Group's balance sheet until such time as the share options were exercised, and no charge would be recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued would be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares would be recorded by the Company in the share premium account. Share options which were cancelled prior to their exercise dates would be deleted from the register of outstanding share options.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2001, the following interests of 10% or more of the share capital of the Company were 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 shares held	Percentage of the Company's share capital
Super Giant	234,000,000 #	48.75%
Fastmath	126,000,000 #	26.25%

The shareholding is duplicated in the disclosure in the "Directors' interests in shares" section above.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to date of this report, no directors of the Company are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, as defined by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), other than those businesses of which the directors of the Company have been appointed as directors to represent the interests of the Company and/or the Group.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 30 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors of the Company, the Company has complied with the Code of Best Practice (the "Code") as set out in appendix 14 of the Listing Rules of the Stock Exchange, since the listing of the Company's shares on the Stock Exchange on 18 September 2001.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

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

Lam Ping Kei

Chairman

Hong Kong

20 March 2002