

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of corporate management services. The principal activities of the Group during the year were the development, manufacture, sale and distribution of information and entertainment products for home and automobiles, the development and provision of networking technology services, and the provision of integrated solutions and services for the cable TV industry.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2001 is set out in note 4 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 22 to 77.

During the year, an interim dividend in scrip form equivalent to HK0.5 cent per share, with a cash option, amounting to an aggregate of HK\$2,190,000 was distributed, of which approximately HK\$631,000 was satisfied by the allotment of 3,156,660 new shares of HK\$0.10 each in the Company, credited as fully paid, by way of scrip dividend, while the remaining HK\$1,559,000 was satisfied by the payment of cash.

The directors recommend the payment of a final dividend of HK1.5 cents per share in respect of the year to shareholders on the register of members on 29 May 2002 to be satisfied by the allotment of new shares in the Company, credited as fully paid, by way of scrip dividend, with an alternative to the shareholders to elect to receive such dividend (or part thereof) in cash in lieu of such entitlement. The total cash alternative to which shareholders are entitled is HK\$6,613,000. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within capital and reserves in the balance sheet. Further details of this accounting treatment are set out in note 13 to the financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 79. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 15 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 31 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased 394,000 shares on the Stock Exchange of Hong Kong Limited and these shares were all subsequently cancelled by the Company. Further details of these transactions are set out in note 31 to the financial statements. Except as disclosed in note 31 to the financial statements, the Company did not redeem any of its listed securities and 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 32 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2001, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK\$35,879,000. In addition, the Company's share premium account, in the amount of HK\$157,818,000, may be distributed in the form of fully paid bonus shares.

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 14%. Purchases from the Group's five largest suppliers accounted for 54% of the total purchases for the year and purchases from the largest supplier included therein amounted to 15%.

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.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Poon Ka Hung
Mr. Wu Lai Ping
Mr. Leung Chun Pong
Mr. Lin Hoo Fun

Independent non-executive directors:

Mdm. Cheung Mei Ha, Jennifer
Mr. Fung Chi Kong, Edward*
Mr. Chan Wing Tai, Joseph*

* members of audit committee

In accordance with the Company's bye-laws, Mr. Wu Lai Ping and Mdm. Cheung Mei Ha, Jennifer will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Messrs. Poon Ka Hung and Wu Lai Ping each entered into a service agreement with the Company for a term of three years commencing from 1 September 1994, which has continued thereafter until terminated by either party giving to the other three months' written notice.

The non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

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 other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest 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.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 December 2001, the interests of the directors and chief executives 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:

Ordinary shares of the Company

Name of director	Notes	Number of shares held and nature of interest	
		Personal	Corporate
Mr. Poon Ka Hung	(a)	–	161,870,103
Mr. Wu Lai Ping	(a)	–	161,870,103
Mr. Leung Chun Pong		100,089	–
Mr. Lin Hoo Fun	(b)	–	48,850,327

The interests of the directors in the share options of the Company are separately disclosed in the section "Share option scheme" below.

Notes:

- (a) The number of shares held as corporate interests of Messrs. Poon Ka Hung and Wu Lai Ping refers to the same parcel of shares which were held by High Rate Investments Limited, a company beneficially owned as to 50% by Mr. Poon Ka Hung and the balance of 50% by family trusts of which Mr. Wu Lai Ping and his family members are beneficiaries.
- (b) The number of shares held as corporate interests of Mr. Lin Hoo Fun refers to the same parcel of shares which were held by Newray Int'l Limited, a company beneficially owned by Mr. Lin Hoo Fun.

Messrs. Poon Ka Hung and Wu Lai Ping together indirectly controlled more than one-third of the issued shares of the Company and accordingly they were deemed to have interests in the share capital or registered capital of the subsidiaries, associates and jointly-controlled entities of the Company.

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, none of the directors, the chief executives 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.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Directors' and chief executives' 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, chief executive 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 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share option scheme previously adopted by the Company (the "Old Scheme") expired on 11 August 2001 in accordance with the terms of the Old Scheme. No share options were granted under the Old Scheme during the year prior to its expiry on 11 August 2001.

At the Company's last annual general meeting held on 28 May 2001, a new share option scheme (the "New Scheme") was approved and adopted and became effective on 12 August 2001 and, unless otherwise cancelled and amended, will remain in force for 10 years from that date. Eligible participants of the New Scheme include the Company's employees (both full-time and part-time) and executive directors of the Company or any of its subsidiaries. No share options have been granted under the New Scheme since its adoption on 12 August 2001.

Other details of the New Scheme disclosed in accordance with the Listing Rules are as follows:

- The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue;
- The maximum entitlement of each participant under the New Scheme shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the New Scheme. 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;
- The period within which the shares must be taken up under an option is any period as determined by the Board, which shall not be more than 10 years from its date of grant or the expiry date of the Scheme, if earlier; and
- The exercise price of the share options is determinable by the directors and equal to the higher of (i) the nominal value of the shares; or (ii) 80% of the average of the closing price per share on the Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of grant of such options.

With effect from 1 September 2001, the Hong Kong Stock Exchange requires that the exercise price of options to be at least the higher of the closing price of the shares on the Hong Kong Stock Exchange on the date of grant and the average closing prices of the shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of grant. Up to the date of this report, the Company has not granted any options on or after 1 September 2001.

To bring the share option scheme of the Group to full compliance with the changes in the listing rules, the directors propose that the New Scheme be terminated on 29 May 2002 with a replacement scheme subject to approval at the special general meeting to be held on that date.

REPORT OF THE DIRECTORS

The following share options were outstanding under the Old Scheme during the year:

Name or category of participant	Number of outstanding share options			Date of grant of share options*	Exercise period of share options	Exercise price of share options** <i>HK\$</i>	Price of Company's shares at date grant of options*** <i>HK\$</i>
	At 1 January 2001	Lapsed during the year	At 31 December 2001				
Directors							
Mr. Poon Ka Hung	1,000,000	(1,000,000)	–	25-03-96	22-10-96 to 25-03-01	0.26	0.32
Mr. Wu Lai Ping	1,000,000	(1,000,000)	–	25-03-96	22-10-96 to 25-03-01	0.26	0.32
Mr. Lin Hoo Fun	1,000,000	(1,000,000)	–	25-03-96	22-10-96 to 25-03-01	0.26	0.32
	<u>3,000,000</u>	<u>(3,000,000)</u>	<u>–</u>				
Other employees							
In aggregate	11,500,000	(11,500,000)	–	14-04-98	14-04-98 to 13-04-01	0.46	0.68
	<u>14,500,000</u>	<u>(14,500,000)</u>	<u>–</u>				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

No theoretical value of share options is disclosed as no share options were granted during the year.

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
High Rate Investments Limited	161,870,103	36.7
Newray Int'l Limited	48,850,327	11.1

These interests have also been disclosed as interests of Messrs. Poon Ka Hung, Wu Lai Ping and Lin Hoo Fun under the section headed "Directors' and chief executives' interests in shares" above.

Save as disclosed above, no person, other than the directors and the chief executives of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests in shares" 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.

CONNECTED TRANSACTIONS

During the year, the Company had executed a guarantee in favour of a bank in respect of a US\$1.25 million revolving loan facility granted to Orient Power-Sunniwell IT Limited ("OPSIT"), a 51% subsidiary of the Group. The minority shareholders of OPSIT had also executed a guarantee in favour of the bank of their proportional 49% interest. As financial assistance is provided by the Company to OPSIT by way of the guarantee of the full amount of US\$1.25 million which exceeds its proportional interest in OPSIT, the transaction constituted a connected transaction for the Company pursuant to the Listing Rules. The directors consider that the transaction was fair and reasonable and was in the interests of the Company.

Subsequent to the balance sheet date, on 18 March 2002, the Company had executed a guarantee in favour of a bank in respect of a loan of RMB10 million granted to Jiangsu Orient Power Electronics Company Limited ("JOPE"), a jointly-controlled entity of the Group. The minority shareholder of JOPE had also executed a counter-guarantee in favour of the Company to the extent of its proportional 49% interest. As financial assistance was provided by the Company to JOPE by way of the guarantee exceeding its proportional interest in JOPE, the transaction constituted a connected transaction for the Company pursuant to the Listing Rules. The directors consider that the transaction was fair and reasonable and was in the interests of the Company.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

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

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

Poon Ka Hung

Chairman

Hong Kong

17 April 2002