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## Report of the Directors

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 activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 15 to the financial statements. During the year, the Group diversified into the business of the manufacture and sale of optic fibre cable and digital fibre cable products; and the trading of electrical appliances. Other than the foregoing, 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 contribution to profit from operating activities 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 of the Group as at that date are set out in the financial statements on pages 28 to 72.

The directors do not recommend the payment of a dividend for the year.

## SUMMARY FINANCIAL INFORMATION

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

## RESULTS

	Year ended 31 December				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Net profit attributable to shareholders	<b>30,086</b>	62,658	45,462	28,022	24,266

## ASSETS AND LIABILITIES

	31 December				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Total assets	<b>344,803</b>	294,492	189,613	136,186	113,244
Total liabilities	<b>(162,119)</b>	(129,055)	(109,872)	(76,100)	(67,696)
Minority interests	<b>(9,721)</b>	–	(1,083)	(1,090)	(1,074)
Net assets	<b>172,963</b>	165,437	78,658	58,996	44,474

### Note:

- The summary of the combined results for each of the three years ended 31 December 1999 has been extracted from the Company's prospectus dated 12 December 2000. This three year summary was extracted from the audited financial statements of the companies now comprising the Group, after making appropriate adjustments and reclassifications, as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis set out in note 3 "Basis of presentation and consolidation" to the financial statements. The results of the Group for each of the two years ended 31 December 2001 are those set out on page 28 of the financial statements.
- The summary of net assets of the Group as at 31 December 1997, 1998 and 1999 has been extracted from the Company's prospectus dated 12 December 2000. The summary of net assets of the Group as at 31 December 2000 and 2001 has been extracted from the audited consolidated balance sheets of the Group set out on page 30 of the financial statements.
- The amounts for 31 December 2000 have been adjusted for the effect of the retrospective changes arising from the implementation of the revised Statement of Standard Accounting Practice 2.109 "Events after the balance sheet date". The change in accounting policy has resulted in a prior year adjustment to reclassify the proposed final dividend amounts, which were previously recognised as liabilities, to the proposed final dividend reserve account within the shareholders' equity section of the balance sheet. Further details are set out in notes 2 and 12 to the financial statements.

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# Report of the Directors

## FIXED ASSETS

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

## SHARE CAPITAL, SHARE OPTIONS AND SHARE PREMIUM

Details of movements in share capital, share options and share premium of the Company during the year, together with the reasons therefor, are set out in notes 24 and 25 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 25 to the financial statements.

## DISTRIBUTABLE RESERVES

At 31 December 2001, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2001 Revision) of the Cayman Islands, amounted to HK\$109,849,000. This includes the Company's share premium account in the amount of HK\$32,641,000 at 31 December 2001, which may be distributed in the form of fully paid bonus shares.

## 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.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to the five largest customers and purchases from the five largest suppliers for the year ended 31 December 2001 accounted for less than 30% of the Group's total turnover and purchases, respectively, for the year.

### DIRECTORS

The directors of the Company during the year were:

#### **Executive directors:**

Mr. WANG Ya Nan (*Chairman*)  
Mr. WANG Ya Hua (*Vice chairman*)  
Mr. WONG Ah Yu  
Mr. WONG Ah Yeung  
Mr. SHI Bi Xi  
Mr. CHOI Wai Sang

#### **Non-executive directors:**

Mr. WONG Kong Hon JP\*  
Mr. TING Leung Huel, Stephen \*

\* *Independent non-executive directors*

In accordance with article 108(A) of the Company's articles of association, Messrs. Wong Ah Yu, Shi Bi Xi and Wong Kong Hon JP will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

### DIRECTORS' REMUNERATION

Details of the remuneration of the directors of the Company are set out in note 8 to the financial statements.

### FIVE HIGHEST PAID EMPLOYEES

Details of the five highest paid employees of the Group are set out in note 8 to the financial statements.

# Report of the Directors

## DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 December 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations as required to be recorded in the register of directors' interests maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Type of interest	Number of issued ordinary shares of HK\$0.01 each held in the Company
Mr. Wang Ya Nan	Corporate (Note 1)	1,698,750,000
Mr. Wang Ya Hua	Corporate (Note 1)	1,698,750,000
Mr. Wong Ah Yu	Corporate (Note 1)	1,698,750,000
Mr. Wong Ah Yeung	Corporate (Note 1)	1,698,750,000
Mr. Shi Bi Xi	Corporate (Note 2)	472,500,000
Mr. Choi Wai Sang	Corporate (Note 3)	78,750,000

### Notes:

1. These shares are held by Landmark Worldwide Holdings Limited, the entire issued share capital of which is beneficially owned as to 25% by each of Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung (collectively referred to as the "Wong Brothers").
2. These shares are held by Jetwise Universal Limited, the entire issued share capital of which is held and beneficially owned by Mr. Shi Bi Xi.
3. These shares are held by Faye Limited, the entire issued share capital of which is held and beneficially owned as to 50% by each of Mr. Choi Wai Sang and his father, Mr. Chua Hun Huy.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' interests in share capital" above and "Share option scheme" below, at no time during the year and up to the date of this report was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their associates, 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.

### COMPETITION AND CONFLICT OF INTERESTS

None of the directors of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

### SHARE OPTION SCHEME

The Company operates a share option scheme (the "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 Scheme include executive directors and any full-time employee of the Company or its subsidiaries. The Scheme became effective on 22 December 2000 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 Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. No option may be granted to any one person which, if exercised in full, will result in the total number of shares already issued and which may fall to be issued to him under all the options previously granted to him pursuant to the Scheme exceeding 25% of the maximum aggregate number of shares for the time being issued and which may fall to be issued under the Scheme.

The offer of a grant of share options may be accepted within 21 days from the date of the offer with a cash 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 offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) 80% of the higher of the average of the Stock Exchange closing prices of the Company's shares on the five trading days immediately preceding the date of the offer; and (ii) the nominal value of the Company's shares.

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of share option schemes, which came into effect on 1 September 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the Directors consider that it is in the interest of the Company to terminate the existing Scheme of the Company adopted on 22 December 2000 and to adopt a new Scheme. An ordinary resolution will be proposed at the Company's shareholders' meeting for the approval of the said adoption of the new Scheme and termination of the Company's existing Scheme. Until the adoption of the proposed new Scheme, the share options which may be from time to time granted by the Company under the existing Scheme will however not be affected by the proposed new Scheme.

## Report of the Directors

### SHARE OPTION SCHEME (continued)

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

Category of participant	At 1 January 2001	Number of share options		At 31 December 2001	Date of grant of share options*	Exercise period of share options	Exercise price	Share price***	
		Granted during the year	Exercised during the year				of share options**	At grant date of options	At exercise date of options
							HK\$	HK\$	HK\$
An employee	-	2,000,000	2,000,000	-	26 April 2001	26 April 2001 to 25 April 2011	0.80	0.84	0.80

\* 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. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

All of the above 2,000,000 ordinary shares of HK\$0.10 each in the Company issued and allotted pursuant to the exercise of share options have been sub-divided into 20,000,000 ordinary shares of HK\$0.01 each on 30 October 2001. Further details of the share sub-division are set out in note 24 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are 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 is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year to an employee, because in the absence of a readily available market value for share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of the share options.

### SUBSTANTIAL SHAREHOLDERS

At 31 December 2001, the following parties with interests representing 10% or more of the Company's issued share capital were recorded in the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance:

<b>Name of shareholder</b>	<i>Notes</i>	<b>Number of ordinary shares held</b>
Landmark Worldwide Holdings Limited	1	1,698,750,000
Jetwise Universal Limited	2	472,500,000

#### *Notes:*

1. The entire issued share capital of Landmark Worldwide Holdings Limited is held and beneficially owned as to 25% by each of the Wong Brothers.
2. The entire issued share capital of Jetwise Universal Limited is held and beneficially owned by Mr. Shi Bi Xi, a director of the Company.

Apart from the foregoing, at 31 December 2001, 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 under Section 16(1) of the SDI Ordinance.

### DIRECTORS' SERVICE CONTRACTS

Each of the Wong Brothers, and Messrs. Shi Bi Xi and Choi Wai Sang, being all of the executive directors of the Company, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 1 December 2000, and which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Such notice shall not expire until after the aforementioned initial fixed term.

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 CONTRACTS

Saved as disclosed in note 6 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to which the Company or any of its subsidiaries was a party during the year.



# Report of the Directors

## RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 6 to the financial statements.

## BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

### Executive directors

**Mr. Wang Ya Nan**, aged 44, is the chairman of the Company. He is responsible for the overall strategic planning and business development of the Group. He is also responsible for the development of overseas markets. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Hua.

**Mr. Wang Ya Hua**, aged 46, is the vice chairman of the Company and general manager of the Group. He is responsible for the overall management of the Group with special focus on product development and product sales and promotion in the PRC market. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Nan.

**Mr. Wong Ah Yu**, aged 49, is a deputy general manager of the Group and the general manager of Tongda Electrics. He is responsible for the financial management accounts, human resources and administration of the Group. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wang Ya Hua and Wang Ya Nan.

**Mr. Wong Ah Yeung**, aged 52, is a deputy general manager of the Group and the general manager of Tongda Electronic. He is responsible for the procurement, sales and product promotions of the Group. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yu, Wang Ya Hua and Wang Ya Nan.

**Mr. Shi Bi Xi**, aged 42, is the general manager of Tongda Metals. He supervises the operations, product development and sales and marketing of Tongda Metals. He joined the Group in August 1995 and has over 20 years of moulding experience in the mechanical engineering industry.

**Mr. Choi Wai Sang**, aged 46, is a director and is responsible for the Group's marketing and the technical support of the Group's product development. He joined the Group in December 1988. He graduated with a Bachelor and Master of Science degrees in electrical engineering from the University of Illinois, Urbana, USA.

### BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF (continued)

#### Independent non-executive directors

**Mr. Wong Kong Hon, JP**, aged 59, is an independent non-executive director. Mr. Wong is currently the managing director of Chuan Chiong Group companies. Mr. Wong actively participates in community services and holds various positions, including the deputy of The National People's Congress of China, the vice chairman of the Hong Kong Chinese General Chamber of Commerce, the chairman of the Hong Kong Federation of Fujian Associations, the vice chairman of the Fukien Chamber of Commerce and the chairman & supervisor of Fukien Middle School and Fukien Secondary School, Siu Sai Wan.

**Mr. Ting Leung Huel, Stephen**, FCCA FHKSA FTIHK CPA, aged 48, is an independent non-executive director. Mr. Ting is an accountant in public practice as the managing partner of Ting Ho Kwan & Chan, Certified Public Accountants since 1987. He is also an independent non-executive director of four listed companies, namely, Chow Sang Sang Holdings International Limited, eForce Holdings Limited, Hi Net Holdings Limited and Tong Ren Tang Technologies Company Limited.

#### Senior management

**Mr. Yang Si Lin**, aged 36, is the assistant general manager of Tongda Electronic. He is responsible for the design and production of carbon film fixed resistors. He joined the Group in August 1989 and has over 14 years of corporate management experience in the manufacturing industry.

**Mr. Lin Yuen**, aged 36, is the chief engineer of Tongda Electrics. He is responsible for the production of membrane touch switches, the research and development of IMD and the advancement of production know-how. He holds a bachelor's degree in engineering from the University of Jiao Tong, Shanghai. He joined the Group in May 1999 and has over 16 years of experience in manufacturing and product development.

**Mr. Shu Yuen Shu**, aged 63, is the senior management consultant of the Group. He assists the Group's general manager to formulate corporate strategies and staff training, and to implement the Group's quality control programme. He holds a bachelor's degree in physics from the University of Xiamen. He joined the Group in June 1998 and has over 30 years of quality management experience in the electronics industry.

**Mr. Liu Yung Chang**, aged 53, is the department head of the sales and marketing department of the Group. He is responsible for the overall production planning and resources allocation. He also supervises the domestic product sales and marketing activities in the PRC. He joined the Group in March 1999 and has over 20 years of experience in the production and sale of electronic products.

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### BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF (continued)

#### Senior management (continued)

**Ms. Lee Sau Mei, Christina**, aged 32, is the marketing manager of the Group. She oversees the implementation of the corporate strategies on sales and marketing. She holds a Bachelor of Science degree in marketing from Johnson and Wale University, USA. She joined the Group in 1995 and has over 5 years of experience in the field of international marketing.

**Mr. Yuen Sik Kin**, aged 41, is the accounting manager of the Group and is responsible for the accounts and financial management of the Group. He obtained his qualification as an accountant from the Finance Department of the People's Republic of China. He joined the Group in 1994 and has over 20 years of working experience in the accounts and finance field.

**Mr. He Yong Tao**, aged 62, is the chief engineer of the Group. He is responsible for the development of digital products. He graduated from the Northwest Industry University, the PRC, majoring in aerial wireless radio. He joined the Group in May 1999 and has over 35 years of experience in product design and development as well as in information management and systems control.

**Mr. Guo Qi Cai**, aged 51, is the chief engineer of Tongda Metals. He is responsible for the design and development of moulds and ironware parts. He graduated from Chongqing Telecom Engineering College. He joined the Group in March 1996 and has over 30 years of experience in the design and development of moulds and ironware parts.

**Mr. Ko Chun Hay, Kelvin**, MSc, FHKSA, ACMA, aged 38, is the company secretary of the Group and is responsible for the company secretarial and corporate finance functions of the Group. Mr. Ko graduated with a Master of Science Degree of finance from the City University of Hong Kong. He is a fellow member of the Hong Kong Society of Accountants and an associate member of the Chartered Institute of Management Accountants. He joined the Group in August 2000 and has over 15 years of working experience in the field of corporate finance, audit and taxation.

**Mr. Ma Yu Kin, Roger**, AHKSA, aged 37, is the financial controller of the Group and is responsible for the financial management functions of the Group. Mr. Ma graduated with a Diploma of accounting from the Shue Yan College. He is a member of International Accountants and associate member of the Hong Kong Society of Accountants. He joined the Group in 2001 and has over 10 years of working experience in the field of commercial, audit and taxation.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, its holding company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

### PENSION SCHEME

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all employees who are eligible to participate in the Scheme. The Scheme became effective on 1 December 2001. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently-administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

Apart from the foregoing, the Group's subsidiaries in the PRC are required to participate in the employee retirement scheme operated by the relevant local government bureau in the PRC and to make contributions for its eligible employees. The contributions to be borne by the Group are calculated at a certain percentage of the salaries and wages for those eligible employees.

As at 31 December 2001, the Group had no significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong.

The employer's pension costs charged to the profit and loss account for the year are set out in note 7 to the financial statements.

### USE OF PROCEED

The proceeds from the Company's issue of new shares at the time of its listing on the Hong Kong Stock Exchange in December 2001, after deduction of related issuance expenses, amounted to approximately HK\$61 million. These proceeds were applied mainly during the year ended 31 December 2001 in accordance with the proposed applications set out in the Company's prospectus, as follows:

- approximately HK\$12 million was used for the acquisition of production machinery and equipment to expand the Group's production capacity;
- approximately HK\$18 million was used for the establishment of new production facilities in Shenzhen, the PRC;
- approximately HK\$2.3 million was used for the research and development of new products;
- approximately HK\$2.3 million was for the investment in an associate carrying out screen printing business; and

## Report of the Directors

### USE OF PROCEED (continued)

- approximately HK\$5 million was applied as additional working capital of the Group.

The balance of the proceeds of approximately HK\$21.4 million as at 31 December 2001 remained unused and was placed on short term deposits with licensed banks in Hong Kong.

The directors are of the opinion that the remaining proceeds will be applied in the coming year to their intended uses as set out in the Company's prospectus.

### 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 year covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation at the annual general meeting in accordance with the Company's memorandum and articles of association.

### AUDIT COMMITTEE

The Company has an audit committee (the "Committee"), which was established in accordance with the requirements of the Code of Best Practice, for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee comprises two independent non-executive directors of the Company. The Group's financial statements for the year ended 31 December 2001 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosures have been made.

### 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

**Wang Ya Nan**  
*Chairman*

Hong Kong  
16 April 2002