

The directors present their annual report and the audited financial statements for the year ended 31st December 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the activities of its subsidiaries are set out in note 40 to the financial statements.

RESULTS

The results of the Group for the year ended 31st December 2001 are set out in the consolidated income statement on page 24.

No dividend was paid during the year.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 to the financial statements.

SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 17th September 1994 for recognition of past services contributed by the eligible directors and employees, and will expire on 16th September 2004. Under the Scheme, the Board of Directors of the Company may at their discretion grant options to directors and full-time employees of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31st December 2001, the number of shares in respect of which options had been granted under the Scheme was 8,550,000, representing 4% of the shares of the Company in issue at that date. The maximum number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual at the grant date is not permitted to exceed 25% of the number of shares issued and issuable under the Scheme.

Options granted must be taken up within 28 days of the date of grant. No consideration is payable on the grant of an option. Options may generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the nominal value of the shares of the Company nor 80% of the average closing price of the shares for the five trading days immediately preceding the date of grant.

DIRECTORS' REPORT

The fair values of the options granted in the current year measured as at the dates of grant on 2nd May 2001, 12th June 2001 and 14th June 2001 were HK\$0.14, HK\$0.21 and HK\$0.34, respectively. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

Date of grant	2nd May 2001	12th June 2001	14th June 2001
Expected life of options	1 year	1 year	2 years
Expected volatility based on historical volatility of share prices	50%	50%	93%
Hong Kong Exchange Fund Notes rate	4.22%	3.79%	4.27%
Expected annual dividends	Nil	Nil	Nil

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data as the forfeiture of options happened in the current year only.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the income statement in respect of the value of options granted in the period.

The following table discloses movements in the Company's share options during the year:

	Date of grant	Outstanding at beginning of the year	Granted during the year	Cancelled during the year	Lapsed during the year	Outstanding at end of the year
Directors						
Yim Yuk Lun, Stanley	29.9.1997	1,000,000	—	—	—	1,000,000
	24.1.2000	1,300,000	—	—	(1,300,000)	—
	19.6.2000	1,600,000	—	—	—	1,600,000
	2.5.2001	—	1,250,000	—	—	1,250,000
Ng Sai Ping, Dominic	4.6.1999	200,000	—	—	(200,000)	—
	1.2.2000	2,500,000	—	—	(2,500,000)	—
	2.5.2001	—	2,500,000	—	—	2,500,000
	12.6.2001	—	200,000	—	—	200,000
Chau Ding Kong, Alan	29.9.1997	1,000,000	—	(1,000,000)	—	—
	21.1.2000	2,200,000	—	—	(2,200,000)	—
	19.6.2000	1,600,000	—	(1,600,000)	—	—
	2.5.2001	—	2,150,000	(2,150,000)	—	—
Total		11,400,000	6,100,000	(4,750,000)	(6,200,000)	6,550,000

DIRECTORS' REPORT

	Date of grant	Outstanding at beginning of the year	Granted during the year	Cancelled during the year	Lapsed during the year	Outstanding at end of the year
Employees	22.3.1996	90,000	—	—	(90,000)	—
	4.3.1997	80,000	—	(40,000)	—	40,000
	29.9.1997	500,000	—	(500,000)	—	—
	4.6.1999	200,000	—	—	(200,000)	—
	4.5.2000	200,000	—	—	—	200,000
	17.6.2000	500,000	—	(100,000)	—	400,000
	21.6.2000	2,000,000	—	(2,000,000)	—	—
	2.5.2001	—	360,000	—	—	360,000
	12.6.2001	—	200,000	—	—	200,000
	14.6.2001	—	1,000,000	(200,000)	—	800,000
Total		3,570,000	1,560,000	(2,840,000)	(290,000)	2,000,000
Grand Total		14,970,000	7,660,000	(7,590,000)	(6,490,000)	8,550,000

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise Price
			HK\$
22.3.1996	22.3.1996 – 29.3.1998	30.3.1998 – 29.3.2001	5.90
4.3.1997	4.3.1997 – 4.3.1999	5.3.1999 – 4.3.2002	2.50
29.9.1997	—	29.9.1997 – 16.9.2004	3.80
4.6.1999	—	4.6.1999 – 3.6.2001	0.48
21.1.2000	—	21.1.2000 – 20.1.2001	0.47
24.1.2000	—	24.1.2000 – 22.1.2001	0.48
1.2.2000	—	1.2.2000 – 31.1.2001	0.61
4.5.2000	4.5.2000 – 3.5.2002	4.5.2002 – 3.5.2004	0.59
17.6.2000	17.6.2000 – 16.6.2002	17.6.2002 – 16.6.2004	0.57
19.6.2000	19.6.2000	20.6.2000 – 19.6.2002	0.57
21.6.2000	21.6.2000	22.6.2000 – 21.6.2002	0.57
2.5.2001	—	2.5.2001 – 1.5.2002	0.39
12.6.2001	—	12.6.2001 – 11.6.2002	0.49
14.6.2001	—	14.6.2001 – 13.6.2003	0.49

The closing prices of the Company's shares immediately before the dates of grant on 2nd May 2001, 12th June 2001 and 14th June 2001 were HK\$0.47, HK\$0.64 and HK\$0.60, respectively.

RESERVES

Details of movements during the year in the reserves of the Group and the Company are set out in note 27 to the financial statements.

INVESTMENT PROPERTIES

At 31st December 2001, the investment properties of the Group were revalued by an independent firm of professional property valuers on an open market value basis at HK\$58,000,000. Details are set out in note 13 to the financial statements.

Particulars of investment properties of the Group at 31st December 2001 are set out on page 72.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

DIRECTORS

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

Executive Directors

Yim Yuk Lun, Stanley

Ng Sai Ping, Dominic

Chau Ding Kong, Alan (resigned on 31st May 2001)

Non-Executive Director

Dr. Chang Chu Cheng

Independent Non-Executive Directors

Dr. Lui Ming Wah, J.P.

Li Seung, Sammy

Chang Ping Kin

Wong Tak Yuen, Adrian

Liu Chun Ning, Wilfred (appointed on 6th August 2001)

In accordance with Clauses 86(2), 87(1) and 87(2) of the Company's Bye-Laws, Messrs. Ng Sai Ping, Dominic, Li Seung, Sammy and Liu Chun Ning, Wilfred retire and, being eligible, 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 Bye-Laws.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31st December 2001, the interests of the directors and chief executives and their associates in the share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name	Number of ordinary shares	
	Personal interests	Family interests
Yim Yuk Lun, Stanley	5,490,000	54,639,400 (note)

Note: These shares are held by a unit trust whose trustee is Unimicro Limited, a company incorporated in the British Virgin Islands and of which Mr. Yim Yuk Lun, Stanley is also a director. All units in the unit trust are beneficially owned by a discretionary trust established by Mr. Yim Yuk Lun, Stanley, the beneficiaries of which include the spouse and issue of Mr. Yim Yuk Lun, Stanley.

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

At 31st December 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following persons, in addition to the director as stated under "Directors' and chief executives' interests in shares", are interested in 10% or more of the issued share capital of the Company.

Name of shareholder	Number of ordinary shares beneficially held
Hon Hai Precision Industry Co., Ltd. ("Hon Hai") (Note)	46,000,000
Foxconn Holding Limited ("Foxconn")	46,000,000

Note: Hon Hai owns 100% interest in Foxconn and is accordingly deemed by the SDI Ordinance to be interested in those ordinary shares of the Company beneficially owned by Foxconn.

Save as disclosed above, the Company has not been notified of any other interests as at 31st December 2001 representing 10% or more of the issued share capital of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above under "Share options", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of eighteen had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Save for those connected transactions for the year disclosed in note 39 to the financial statements,

- (i) no contracts of significance subsisted at any time during the year 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; and
- (ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the connected transactions set out in note 39 to the financial statements and, in their opinion, these transactions entered into by the Group were:

- (i) in the ordinary course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

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 of 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 31st December 2001 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDITORS

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

On behalf of the Board

YIM YUK LUN, STANLEY

CHAIRMAN AND MANAGING DIRECTOR

Hong Kong, 19th April 2002