

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are the manufacture of and trading in electronic products, conductive silicon rubber keypads and printed circuit boards.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 28.

The directors recommend the payment of a final dividend of HK1 cent per share to the shareholders on the register of members on 29 May 2002, amounting to HK\$5,571,440, and the retention of the remaining profit for the year.

The register of members of the Company will be closed from 23 May 2002 to 29 May 2002, both days inclusive, during which period no transfer of shares will be registered.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$36 million to expand its production facilities. The Group has also revalued its land and buildings at 31 December 2001, resulting in a revaluation surplus of HK\$6,247,000, which has been credited to the asset revaluation reserve, and a revaluation deficit of HK\$367,000 which has been charged to the income statement.

Details of these and other movements during the year in property, plant and equipment of the Group are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the issued share capital of the Company are set out in note 21 to the financial statements.

RESERVES

Details of movements during the year in the reserves of the Group and the Company are set out in note 23 to the financial statements.

FINANCIAL SUMMARY

A summary of results and of the assets and liabilities of the Group for the past five financial years is set out on page 64.

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Mr. Tong Shek Lun (Chairman and Managing Director)
Mr. Li Ka Fai, Fred
Ms. Ko Lai King, Kinny
Ms. Chung Wai Yu, Regina
Mr. Wu Yong Yei
Mr. Tam Lung Shor (resigned on 14 January 2002)

Non-executive directors:

Mr. Lee Kwok Leung (appointed on 20 April 2001)
Mr. Yang Yiu Chong, Ronald Jeffery (appointed on 20 April 2001)

Independent non-executive directors:

Mr. Sun Yaoquan
Mr. Tsao Kwang Yung, Peter
Mr. Goh Gen Cheung

In accordance with Clauses 87(1) and 87(2) of the Company's bye-laws, Mr. Wu Yong Yei, Mr. Sun Yaoquan and Mr. Goh Gen Cheung retire and, being eligible, offer themselves for re-election.

Mr. Wu Yong Yei has entered into a service contract with the Company for a period of three years commencing 7 July 2000. Other executive directors of the Company have entered into service contracts with the Company for a period of three years commencing from 1 February 1998 and all of them have extended these service contracts for another three years commencing from 1 February 2001.

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The non-executive directors have been appointed for a term subject to retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, or its holding company, or any of its fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The executive directors have confirmed to the Company that they are not interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

DIRECTORS' INTERESTS IN SECURITIES

(i) Shares

At 31 December 2001, the interests of the directors and their associates, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("Listing Rules"), in the shares of the Company or any 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of director	Type of interests	Number of shares
Mr. Tong Shek Lun	Corporate	231,180,000
Mr. Li Ka Fai, Fred	Corporate	231,180,000
Ms. Ko Lai King, Kinny	Corporate	231,180,000
Ms. Chung Wai Yu, Regina	Corporate	231,180,000
Mr. Tam Lung Shor	Corporate	231,180,000

The above shares are held by Sapphire Profits Limited, the ultimate holding company of the Company. Mr. Tong Shek Lun, Mr. Li Ka Fai, Fred, Ms. Ko Lai King, Kinny, Ms. Chung Wai Yu, Regina and Mr. Tam Lung Shor each owns 88.06%, 3.37%, 3.37%, 2.6% and 2.6% of the issued share capital of Sapphire Profits Limited, respectively.



DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(ii) Share option scheme

In accordance with the Company's share option scheme (the "Scheme") which was adopted pursuant to a resolution passed on 14 February 1998 and which will expire on 13 February 2008, the board of directors of the Company may grant options to eligible employees, including directors, of the Company and any of its subsidiaries to subscribe for shares in the Company.

At 31 December 2001, the number of shares in respect of which options had been granted under the Scheme was 9,694,000, representing 1.8% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted to any individual is not permitted to exceed 2.5% of the shares of the Company in issue at any point in time.

No consideration is payable on the grant of an option. Options may be exercised in phases at any time from the date of grant of the share option to the third anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the options, and the nominal value of the shares.

Pursuant to the amendments to Chapter 17 of the Listing Rules ("New Rules") which became effective commencing from 1 September 2001, any options granted after 1 September 2001 must comply with the provisions of the New Rules. In order for the Company to be able to grant options to its directors and/or other eligible participants after 1 September 2001, a new share option scheme in compliance with the New Rules is proposed to be approved and adopted by the shareholders of the Company in the forthcoming general meeting.

A summary of movements during the year in the share options are set out in note 22 to the financial statements.

Other than the share option scheme above, at no time during the year was the Company, or its holding company, or any of its fellow subsidiaries or 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.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that, other than the interest disclosed under the section headed "Directors' Interests in Securities" above, the following shareholder had an interest of 10% or more in the share capital of the Company:

Name	Number of shares	%
Perfect Treasure Investment Limited	88,100,000	16.4

Other than as disclosed above, the Company has not been notified of any interest representing 10% or more of the issued share capital of the Company at 31 December 2001.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest and the top five customers accounted for approximately 19% and 39% of the Group's total turnover. The Group's largest and the top five suppliers accounted for approximately 14% and 32% of the Group's total purchases.

None of the directors, their associates or shareholders which to the knowledge of the directors owns more than 5% of the Company's issued share capital has any interest in any of the Group's five largest customers or suppliers.

CONVERTIBLE SECURITIES, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, warrants or other similar rights as at 31 December 2001 and there has been no exercise of any convertible securities, warrants or similar rights during the year.

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

During the year, the Company repurchased certain of its own shares through the Stock Exchange, details of which are set out in note 21 to the financial statements. The directors considered that the repurchases were made for the purpose of enhancing the net assets and earnings per share of the Company.

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

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year under review in compliance with the Code of Best Practice as contained in Appendix 14 of the Listing Rules, except that the non-executive directors are not appointed for any specific term of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

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

Tong Shek Lun

Chairman and Managing Director

Hong Kong

24 April 2002