

The Directors herein 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. The principal activities of the subsidiaries during the year consisted of manufacture and sale of electronic components products, property holding, money lending and investment holding.

CHANGE OF COMPANY NAME

With effect from 8 April 2002, the name of the Company was changed from “O2New Technology Limited” to “Omnitech Group Limited” and 「兩儀控股有限公司」 was adopted as the Chinese name of the Company for identification purpose.

RESULTS AND DIVIDENDS

The Group’s loss 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 60.

No interim dividend was paid during the year (2000: Nil) and the Directors do not recommend the payment of a final dividend in respect of the year (2000: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

	Year ended 31 December				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Results					
Turnover	<u>78,697</u>	<u>1,774,546</u>	<u>4,139,174</u>	<u>4,278,739</u>	<u>4,556,203</u>
Profit/(loss) before tax	<u>(132,545)</u>	(325,197)	(602,304)	(277,756)	81,105
Tax	<u>(718)</u>	(124)	(10,435)	(9,833)	(11,133)
Profit/(loss) before minority interests	<u>(133,263)</u>	(325,321)	(612,739)	(287,589)	69,972
Minority interests	<u>(24)</u>	378	1,246	7,786	156
Net profit/(loss) attributable to shareholders	<u>(133,287)</u>	<u>(324,943)</u>	<u>(611,493)</u>	<u>(279,803)</u>	<u>70,128</u>

	31 December				
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities					
Properties, plant and equipment	7,841	20,633	372,363	819,753	879,745
Investment properties	14,200	24,810	32,558	16,250	20,650
Long term investments	70,031	—	—	80,205	123,943
Interests in associates	163,593	180,264	75	164,885	71,364
Intangible assets	—	—	—	73,033	84,452
Deposits paid	—	—	—	—	185,250
Current assets	<u>606,651</u>	<u>694,466</u>	<u>1,436,417</u>	<u>1,083,676</u>	<u>1,491,777</u>
Total assets	<u>862,316</u>	<u>920,173</u>	<u>1,841,413</u>	<u>2,237,802</u>	<u>2,857,181</u>
Current liabilities	<u>(633,121)</u>	<u>(574,576)</u>	<u>(1,245,314)</u>	<u>(1,029,233)</u>	<u>(1,321,388)</u>
Interest bearing bank and other borrowings	—	—	—	(26,365)	(61,971)
Deferred tax	(1,302)	(2,069)	(9,230)	(6,552)	(6,572)
Minority interests	<u>(309)</u>	<u>(309)</u>	<u>(10,530)</u>	<u>(44,355)</u>	<u>(61,291)</u>
Total liabilities	<u>(634,732)</u>	<u>(576,954)</u>	<u>(1,265,074)</u>	<u>(1,106,505)</u>	<u>(1,451,222)</u>
Net assets	<u><u>227,584</u></u>	<u><u>343,219</u></u>	<u><u>576,339</u></u>	<u><u>1,131,297</u></u>	<u><u>1,405,959</u></u>

ACCOUNTING POLICIES

The principal accounting policies of the Group are set out in note 2 to the financial statements.

PROPERTIES, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the properties, plant and equipment and investment properties of the Group during the year are set out in notes 12 and 13 to the financial statements, respectively.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the balance sheet date are set out in note 16 to the financial statements.

ASSOCIATES

Particulars of the Group's principal associates at the balance sheet date are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 22 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.

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 December 2001, the Company's share premium account, in the amount of HK\$745,032,000 (2000:HK\$727,855,000), was available to be distributed in the form of fully paid bonus shares.

At 31 December 2001, the Company had contributed surplus and accumulated losses of HK\$502,176,000 and HK\$1,050,553,000, respectively (2000:HK\$502,176,000 and HK\$919,013,000, respectively).

Pursuant to a special resolution approved by the Company's shareholders at the Special General Meeting held on 22 March 2002, the Company effected a capital reorganization whereby the entire amount of the share premium account of the Company at 22 March 2002 amounting to HK\$781,232,000 and an amount of HK\$430,000,000 standing to the credit of the contributed surplus account of the Company were applied to set off the accumulated losses of the Company.

Details of movements in the distributable reserves of the Company are set out in note 23 to the financial statements.

SUBSEQUENT EVENTS

Details of significant subsequent events relating to the Group are set out in note 27 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2001:

- (i) the aggregate amount of turnover attributable to the five largest customers represented 67% of the Group's total turnover. Sales to the largest customer amounted to 57% of the Group's total turnover; and
- (ii) the aggregate amount of purchases (not including purchases of items which are of a capital nature) attributable to the five largest suppliers represented 77% of the Group's total purchases. Purchases from the largest supplier amounted to 50% of the Group's total purchases.

Except for two of the suppliers, which are related to the Grande Group, that supplied 11% of the Group's total purchases during the year, none of the Directors of the Company or any of their associates or any other shareholders, which to the best knowledge of the Company's Directors, owned more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

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

Huen Wing Ming, Patrick	(appointed on 5 November 2001)
Shaw Wen Fei*	
Lui Chun Bing, Tommy	
Au Hoi Tsun, Peter	(appointed on 22 April 2002)
Hui Tung Wah, Samuel	(appointed on 9 July 2001)
Chim Chun Kwan, Sandy	(appointed on 5 July 2001)
Lau Ho Kit, Ivan	(appointed on 30 November 2001)
Wong Che Keung, Richard**	
Tong Yee Yung, Joseph**	(appointed on 31 May 2001)
Wong Tak Lan, Mary Teresa**	(retired on 31 May 2001)
Tsoi Ka Chi, Morris	(resigned on 5 July 2001)
Liu Tsz Kwan, Tanya*	(resigned on 9 July 2001)
Shum Siu Hung*	(resigned on 5 November 2001)
Lee Hoong Seun	(resigned on 30 November 2001)

* Non-executive Directors

** Independent non-executive Directors

In accordance with Bye-Law 89 of the Company's Bye-Laws, Messrs. Au Hoi Tsun, Peter, Hui Tung Wah, Samuel, Chim Chun Kwan, Sandy, Lau Ho Kit, Ivan and Tong Yee Yung, Joseph retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-Law 97 of the Company's Bye-Laws, Mr. Shaw Wen Fei will retire by rotation, and being eligible, will offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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 SHARES

As at 31 December 2001, the interests of the Directors in the share capital of the Company as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Director	Personal interests	Family interests	Corporate interests	Total
Huen Wing Ming, Patrick	—	100,000 (Note 1)	620,000,000 (Note 2)	620,100,000
Shaw Wen Fei	—	—	106,490,000 (Note 3)	106,490,000
Lui Chun Bing, Tommy	—	—	300,000,000 (Note 4)	300,000,000

Notes:

- (1) These shares were held by Mr. Huen Wing Ming, Patrick's wife, Huen Ng Sui Fong, Isabel and therefore he was deemed to have an interest in these shares.
- (2) These shares were held by Planet Adventure Limited, which is wholly-owned by Mr. Huen Wing Ming, Patrick and therefore he was deemed to have an interest in these shares.
- (3) These shares were held by Sharp States Investments Inc., which is wholly-owned by Mr. Shaw Wen Fei and therefore he was deemed to have an interest in these shares.
- (4) These shares were held by Sharp Power Limited, which is wholly-owned by Mr. Lui Chun Bing, Tommy and therefore he was deemed to have an interest in these shares.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Directors' Interests in Shares" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of acquisition of shares in 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

Pursuant to a share option scheme duly approved and adopted on 23 May 1997 (the “1997 Share Option Scheme”), the Directors may, at their discretion, grant options to executive directors, employees or service providers of the Company and its subsidiaries to subscribe for shares in the Company. At the balance sheet date, there were no share options granted and outstanding under the 1997 Share Option Scheme.

On 23 August 2001, The Stock Exchange of Hong Kong Limited (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 1997 Share Option Scheme and to adopt a new share option scheme. An ordinary resolution was passed at the special general meeting of the Company on 22 March 2002 for the approval of the termination of the 1997 Share Option Scheme and adoption of a new share option scheme (the “New Scheme”).

SUMMARY OF THE COMPANY'S NEW SCHEME

The purpose of the New Scheme is to enable the Company to grant options to employees, executives or officers of the Company or any of its subsidiaries (including executive and non-executive directors of the Company or any of its subsidiaries) and any suppliers, consultants, advisers, agents, shareholders, customers, partners or business associates, who at the discretion of the Board, have contributed to the Company or any of its subsidiaries as incentives and rewards for their contributions to the Company or such subsidiaries.

The maximum number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option scheme(s) of the Company must not exceed 10% of the shares in issue on the date of approval and adoption of the New Scheme, i.e. 454,367,682 shares. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme(s) of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

The exercise price shall be determined by the Board save that the price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company.

There is no general requirement that an option must be held for any minimum period before it can be exercised, but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 60th day after the option is offered to the relevant grantee. The New Scheme is valid and effective for a period of 10 years after the date of adoption of the New Scheme, which is until 21 March 2012.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a significant beneficial interest in any material contract to which the Company, its holding companies or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, pursuant to the Register required to be kept by the Company under Section 16(1) of the SDI Ordinance, the shareholder who was interested in 10% or more of the issued share capital of the Company was as follows:

Name	Number of shares held	%
Planet Adventure Limited	620,000,000	16.34

Planet Adventure Limited is beneficially owned by Mr. Huen Wing Ming, Patrick, the Chairman of the Company.

Save as disclosed above, no person 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.

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 comprises the two independent non-executive directors of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

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 Listing Rules of SEHK throughout the year. Independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-Laws.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

The Group was involved in the rescue of the Akai Group, which started in late 1999. Included in the balance of "Trade and other receivables" are advances to be realised, net of provisions, amounting to HK\$600 million arising from this rescue.

On 23 August 2000, an order was issued by the High Court of the Hong Kong Special Administrative Region for compulsory winding up of Akai Holdings Limited and its associate, Kong Wah Holdings Limited.

As at 31 December 2000, the net recoverable balance amounted to HK\$600 million, which was arrived at after provisions of HK\$308 million made in the financial statements during 2000. Since then, there has been no movement in the advances. The gross amounts of receivable included principal and interest accrued and are secured by various assets including shares, trademarks and certain tangible assets. As at 31 December 2001, the net recoverable amount after provision remained at HK\$600 million.

The Akai rescue was funded by internal resources and financing from the Grande Group, the former parent of the Company, through a subsidiary of the Company, Prosperous Finance Limited ("PFL"). As a result, PFL ended up owing the Company a substantial sum of money and the Company in turn owes the Grande Group.

In order to settle the matter, the Company made an arrangement with the Grande Group on 9 October 2001 whereby PFL issued a promissory note for HK\$600 million to settle the inter-company balances due to the Company and the Company in turn endorsed the promissory note to the Grande Group which accepted it without recourse to the Company as a settlement for HK\$600 million of the loan due to the Grande Group. The Grande Group thereby became a direct creditor of PFL.

On 21 January 2002, the Company issued 280,000,000 new shares to settle the balance of outstanding amount of approximately HK\$18 million due to the Grande Group. The amounts due to the Grande Group were then completely settled at the Company level.

On 19 April 2002, the Company entered into a conditional agreement for the disposal of Towering Finance Limited (“TFL”) and its subsidiary PFL at a nominal price determined with reference to the consolidated net tangible asset value of TFL and PFL. Completion of the agreement is conditional upon, among other things, the verification of the liabilities of TFL and PFL.

AUDITORS

Moore Stephens retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Moore Stephens as auditors of the Company is to be proposed at the forthcoming annual general meeting.

Ernst & Young were auditors of the Company for the years ended 31 December 1998 and 1999 and resigned on 19 December 2000. Since their resignation, Moore Stephens were appointed as auditors of the Company.

On Behalf of the Board

Man Sau Ying, Karen

Company Secretary

Hong Kong, 22 April 2002