

## REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st March 2002.

### Principal activities

The principal activities of the Company is investment holding. The principal activities of the subsidiaries are the manufacturing and selling of consumer electronic products and printed circuit boards, and trading of semiconductors.

### Results and appropriations

The results for the year are set out in the consolidated profit and loss account on page 19.

The directors do not recommend the payment of a dividend.

### Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the accounts.

### Fixed assets

Details of the movements in fixed assets of the Group are set out in note 10 to the accounts.

### Share capital

Details of the movements in share capital of the Company are set out in note 18 to the accounts.

### Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 54.

### Purchase, sale or redemption of shares

During January and February 2002, 4,752,000 ordinary shares of HK\$0.10 each of the company were purchased by the Company at price ranging from HK\$0.11 to HK\$0.125 per share through The Stock Exchange of Hong Kong Limited. Such purchases involved a total cash outlay of HK\$552,339 and were for the purpose of enhancement of the Company's earnings and value per share.

Apart from the above, the Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## REPORT OF THE DIRECTORS

## Share options

Share options are granted to directors, executives and employees under the share option scheme (the "Scheme") approved by members of the Company at a Special General Meeting held on 4th March 1992. Details of the Scheme are as follows:

- |  |   |
|--|---|
| 1. Purpose of the Scheme   | As incentive to executive management and employees.   |
| 2. Participants of the Scheme  | Eligible full-time employees including executive directors of the Company and its subsidiaries.   |
| 3. Total number of shares available for issue under the Scheme and the percentage of issued share capital as at 23rd July 2002 | 27,474,960 shares, representing 4.34% of the issued share capital.  |
| 4. Maximum entitlement of each participant under the Scheme  | 25% of the aggregate number of shares issued and issuable under the Scheme.   |
| 5. The period within which the shares must be taken under an option  | 6 years commencing from the date of grant of such options.  |
| 6. The minimum period for which an option must be held before it can be exercised  | One year's full-time service with the Company or a subsidiary or a period subject to the discretion of the directors or authorised committee in accordance to the Scheme from time to time. |
| 7. The amount payable on acceptance of the option  | Nil   |

## REPORT OF THE DIRECTORS

## Share options (continued)

8. The basis of determining the subscription price
- The subscription price is determined by the directors and is the higher of:
- (a) 80% of the average closing prices of the existing shares of the Company on the Stock Exchange on five trading dates immediately preceding the date of grant of such option; and
  - (b) the nominal value thereof.
9. The remaining life of the Scheme
- The Scheme shall not be terminated except with the approval of the Company in general meeting.

Details of the share options outstanding as at 31st March 2002 which have been granted under the scheme are as follows:

	Options held at 1st April 2001	Options granted during year	Options exercised during year	Options held at 31st April 2002	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
Continuous contract employees	9,410,000	-	-	9,410,000	0.55	28th August 1997	28th August 1997	28th August 2003

No options expired, were granted, exercised or cancelled during the year.

## REPORT OF THE DIRECTORS

**Directors**

The directors during the year were:

Mr YIP Sum Yin

Mr YIP How Yin, Maurice

Madam YU Hung Min

Mr LAI Wing Leung, Peter \*

Mr LAM Kwok Cheong \*

In accordance with Sections 99 and 182 (vi) of the Company's Bye-laws, Mr LAM Kwok Cheong retire by rotation and, being eligible, offer themselves for re-election.

\* independent non-executive directors

**Directors' service contracts**

None of the directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

**Biographical details of directors**

Brief biographical details of directors are set out as follows:

**Executive directors**

Mr YIP Sum Yin, aged 53, is the Chairman and Managing Director of the Group. He is one of the co-founders of the Group, which was founded in 1982. He graduated from Taiwan Provincial College of Marine & Oceanic Technology with a Bachelor of Science degree in Electronic Engineering. He has over 28 years of experience in the electronics industry and is responsible for the Group's overall policy decisions as well as product research and development.

Mr YIP How Yin, Maurice, aged 46, is a brother of Mr YIP Sum Yin and the Chief Executive of the Group. He is responsible for the Group's overall corporate planning and management. He obtained a Master of Science degree in Transportation Planning and Engineering from the University of Leeds, the United Kingdom. Prior to joining the Group in 1984, he served as a consulting transportation engineer to the Hong Kong Government for three years and was also an assistant lecturer in the Centre of Urban Studies and Urban Planning, University of Hong Kong. He has over 18 years of experience in the consumer electronics industry.

## REPORT OF THE DIRECTORS

### Biographical details of directors (continued)

Madam YU Hung Min, aged 48, is the wife of Mr YIP Sum Yin and an executive director of the Group. She is one of the co-founders of the Group. She worked for a semi-conductor manufacturing company for more than six years and a LCD watch manufacturing company for another four years before founding the Group in 1982. She is responsible for Group's administration.

### Independent non-executive directors

Mr LAI Wing Leung, Peter, aged 45, was appointed as an independent non-executive director of the Company in 1997. He is a holder of a Bachelor of Science degree from the University of Hong Kong and is an Associate of the Hong Kong Institute of Bankers. He was also a registered representative of various stock exchanges in Canada and the USA. He has over 23 years' experience in banking and securities industries.

Mr LAM Kwok Cheong, aged 48, was appointed as an independent non-executive director of the Company in 1997. He is a holder of a Bachelor of Law degree from the University of Hong Kong. He is a member of The Law Society of Hong Kong. He has over 23 years' experience as a Solicitor.

### Senior Management

Mr LI Kam Tong, aged 43, is a Chief Operation Officer of the Group. He obtained a Master of Science degree from the City University of Hong Kong. He joined the Group in 1996 and is responsible for the electronic plant operation.

Madam HO Heung Ming, aged 48, is the Financial Controller of the Group. She holds a Bachelor of Social Science degree from the Chinese University of Hong Kong. She joined the Group in 1991 and is responsible for the Group's accounting and financial control.

### Directors' interests in contracts

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

## REPORT OF THE DIRECTORS

**Directors' interests in equity or debt securities**

At 31st March 2002, the interests of the directors and chief executives in the shares and options of the Company and its associated corporations (within the meaning of Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company, were as follows:

- (a) 138,583,000 shares of the Company are beneficially owned by Sum Tai Holdings Limited which is in turn wholly owned by a discretionary trust established for the benefit of Mr YIP Sum Yin, Madam YU Hung Min and their family.
- (b) 47,980,000 shares of the Company are beneficially owned by Maroc Ventures Inc. which is in turn wholly owned by a discretionary trust established for the benefit of Mr YIP How Yin, Maurice and his family.

Save as disclosed above and other than certain non-beneficial ordinary shares in subsidiaries held in trust for the Group by Mr YIP Sum Yin, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests in the share capital of the Company or associated corporations which are required to be disclosed or notified pursuant to the SDI Ordinance.

Apart from the interests mentioned above, at no time during the year was the Company, its subsidiaries or its holding company a party to any arrangements to enable the directors or chief executives of the Company to acquire shares in, or debentures of, the Company or any other body corporate.

**Substantial shareholders**

At 31st March 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those of the directors and chief executives as disclosed above.

**Management contracts**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## REPORT OF THE DIRECTORS

### Major customers and suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

	2002	2001
	%	%
Purchases		
– the largest supplier	17	14
– the five largest suppliers combined	41	40
Sales		
– the largest customer	22	20
– the five largest customers combined	49	41

None of the directors, their associates or shareholders (who to the knowledge of the directors own more than 5% of the Company's issued share capital) were interested at any time in the year in the above suppliers and customers.

### Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

### Compliance with the Code of Best Practice of the Listing Rules

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that non-executive directors are not appointed for a specified term as recommended in Paragraph 7 of Appendix 14 "Code of Best Practice" of the Listing Rules. According to the Bye-laws of the Company, non-executive directors of the Company will retire by rotation and their appointments will be reviewed when they are due for re-election. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

**REPORT OF THE DIRECTORS****Audit Committee**

The Audit Committee of the Company comprises Mr. Lai Wing Leung and Mr. Lam Kwok Cheong, both of whom are independent non-executive directors of the Company. The Audit Committee meets at least twice a year with the Company's management and auditors to review the accounting principles adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited annual financials.

**Auditors**

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Yip Sum Yin**

*Chairman*

Hong Kong, 23rd July 2002