

Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the year ended 30 June 2002.

CHANGE OF COMPANY'S NAME

Pursuant to a special resolution passed on 18 March 2002, the Company changed its name from Welback Holdings Limited to Terabit Access Technology International Limited with effect from 25 March 2002.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company acts as an investment holding company. The principal activities and other particulars of the Company's subsidiaries are set out in note 15 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 24.

The state of affairs of the Group and the Company as at 30 June 2002 is set out in the balance sheets on pages 25 to 26 and page 27 respectively.

The cashflows of the Group are set out in the statement on pages 29 to 30.

The directors do not recommend a payment of dividend nor transfer of any amount to reserves for the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 77.

FIXED ASSETS

Details of the movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements respectively.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out on page 78.

Report of the Directors (Continued)

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the share capital, share options and warrants of the Company during the year are set out in note 28 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 29 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds of the Group and the Company in issue during the year are set out in note 25 to the financial statements.

Report of the Directors (Continued)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors in office during the financial year and subsequently were:

Executive directors:

Lee Chun Kwok (*Chairman of the Group*)

Fong Wing Seng (*Managing Director*)

Koh Tat Lee, Michael

(appointed on 23 October 2001)

Chen Shujun

(appointed on 23 November 2001)

Lee Kwok Leung, Alan

(appointed on 17 January 2002)

See Lee Sang, Reason

(appointed on 17 January 2002)

Clive William Baker Oxley

(appointed on 16 July 2001
and resigned on 7 January 2002)

Liu Kuo Hui

(appointed on 26 April 2002
and resigned on 16 September 2002)

Cai Youyi

(appointed on 24 October 2002)

Non-executive directors:

Dai Zhongcheng

(appointed on 15 April 2002)

Xu Yang Sheng

(resigned on 23 October 2001)

Lam Man Sing

(appointed on 23 October 2001
and resigned on 23 November 2001)

Lee Tsui Fang, Kim

(appointed on 23 October 2001
and resigned on 28 March 2002)

Independent non-executive directors:

Li Fui Lung, Danny

(appointed on 23 October 2001)

Ng Hoi Yue, Herman

(appointed on 16 May 2002)

Chan Mo Po, Paul

(resigned on 23 October 2001)

Wong Chun Nam, Duffy

(resigned on 23 October 2001)

Lai Ping Keung

(appointed on 23 October 2001
and resigned on 16 May 2002)

In accordance with the provision of Clause 86(c) of the Company's Bye-Laws, any director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

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

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

(a) Shares

At 30 June 2002, the interests of the directors and chief executive 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 under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Name of director	Number of ordinary shares of the Company held			Total
	Personal interests	Family interests	Corporate interest	
Lee Chun Kwok	37,958,156	-	-	37,958,156
Fong Wing Seng	37,958,156	-	-	37,958,156
Liu Kuo Hui (note 1)	72,770,000	-	1,212,120,000 (note 2)	1,284,890,000

Notes:

1. Mr Liu Kuo Hui (alias Mr Lau Kwok Fai) was resigned as executive director of the Company with effect from 16 September 2002.
2. These shares are held through Kimasset Holdings Limited, which is wholly-owned by Mr Liu Kuo Hui.

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (Continued)

(b) Share Options

The Company has a share option scheme under which the directors may, at their discretion, grant options to employees, including any directors, of the Company or its subsidiaries to subscribe for shares in the Company, subject to the terms and conditions stipulated. As at 30 June 2002, the outstanding share options granted to certain directors of the Company were as follows:

Name of director	Exercisable on or after	Exercise price HK\$	Outstanding as at 1 July 2001	Number of share options			Outstanding as at 30 June 2002
				Granted during the year	Exercised during the year	Lapsed during the year	
Lee Chun Kwok	27 November 1993	0.0424	6,324,528	-	(6,324,528)	-	-
	27 November 1994	0.0424	6,324,528	-	(6,324,528)	-	-
	1 July 1995	0.0176	12,654,545	-	(12,654,545)	-	-
	1 July 1996	0.0176	12,654,545	-	(12,654,545)	-	-
Fong Wing Seng	27 November 1993	0.0424	6,324,528	-	(6,324,528)	-	-
	27 November 1994	0.0424	6,324,528	-	(6,324,528)	-	-
	1 July 1995	0.0176	12,654,545	-	(12,654,545)	-	-
	1 July 1996	0.0176	12,654,545	-	(12,654,545)	-	-
Koh Tat Lee, Michael	16 January 2002	0.057	-	65,350,000	-	-	65,350,000
See Lee Seng, Reason	1 February 2002	0.081	-	65,350,000	-	-	65,350,000
Lee Kwok Leung	1 February 2002	0.081	-	65,350,000	-	-	65,350,000

Details of the Company's share option scheme are set out in note 28 to the financial statements.

Save as aforesaid and other than certain nominee shares in subsidiaries held by directors in trust for the Group, at 30 June 2002:

- (i) none of the directors or the chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance; and
- (ii) none of the directors or the chief executives or their spouses or children under 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year.

Report of the Directors (Continued)

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, 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.

DIRECTORS' INTEREST IN CONTRACTS

Dr Liang Ping, wife of Dr Xu Yang Sheng, provided project development and consultancy services to the Group and received consultancy fees amounting to HK\$90,000 for such services during the year.

Save as disclosed above and disclosed in Section headed "Connected Transactions" below, no other contracts of significance 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, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

LEE Chun Kwok, aged 58, is the chairman and co-founder of the Group. He has over twenty years of experience in the LCD electronics industry. He is responsible for the Group's strategic planning and financial management.

FONG Wing Seng, aged 53, is the managing director and co-founder of the Group. He has over twenty years of experience in the LCD electronics business and is responsible for overall product design, research and development. He is also responsible for marketing and management of the Group.

KOH Tat Lee, Michael, aged 36, was appointed as an executive director on 23 October 2001. Mr Koh is responsible for overseeing the general management and formulating the strategic plans for the Group. In addition, he is in charge of product development and sales and marketing strategies. Mr Koh possesses more than ten years of experience in the telecommunications industry and has worked at Bell South and AT&T in the US and was promoted to technical director before he left AT&T. In addition, Mr Koh was the vice president of First Pacific Company Limited, a listed company in Hong Kong, in which he was primarily responsible for telecommunications business. During his tenure at First Pacific, Mr Koh founded Tuntex Telecom in Taiwan and assumed the post of President. Mr Koh holds a double master degree in electrical engineering and industrial engineering from Columbia University in the US.

CHEN Shujun, aged 44, was appointed as an executive director on 23 November 2001. Mr Chen is responsible for overseeing the electronic system for the Group. He has over 20 years of experience in the electronic industry.

Report of the Directors (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Executive Directors (continued)

LEE Kwok Leung, Alan, aged 48, was appointed as an executive director on 17 January 2002. Mr Lee holds a business diploma from New York University and has over 25 years of experience in the finance and capital markets. From 1989 to 1992, he was the deputy general manager of Hua Chiao Commercial Bank Limited responsible for business development and China-related business. From 1992 to 1999, he was the managing director of BOCI Direct Investment Management Limited responsible for the fund management of BOC China Fund Limited managing approximately US\$150 million investments in the Greater China region and Hong Kong on behalf of independent third parties. Mr Lee is currently the managing director of Derico Financial Services Limited and Success Talent Investment Limited, which engages in the business of corporate finance and fund management.

SEE Lee Seng, Reason, aged 43, was appointed as an executive director on 17 January 2002. Mr See has more than 20 years of fund management and investment advisory experience over the bullion, forex, unit trusts, equities and commodity futures markets. From 1981 to 1988, Mr See was the manager and chief dealer of Drexel Burnham Lambert Inc (HK) Limited managing a fund of about US\$30 million to US\$50 million. From 1988 to 1990, Mr See was the assistant vice president of Drexel Burnham Lambert Inc managing a fund of about US\$100 million. In 1993, he took up the position of senior investment consultant in AIM Y.K. Hui Investment Consultants Limited managing non-registered funds of about HK\$100 million on behalf of third parties. From 1994 onwards, Mr See has been the managing director of Keen Shing Investment Consultants Limited engaging in investment advisory and fund management works.

Cai Youyi, aged 36, was appointed as an executive director on 24 October 2002. Mr Cai has experience in international investment and financing activities. Mr Cai holds a Bachelor of Science degree from Department of Mechanics, Peking University in the PRC. He was graduated from Business School, Japan Hitotsubashi University, and worked at Japan Daiwa Securities Ltd.

Non-executive Director

DAI Zhongcheng, aged 40, was appointed as a non-executive director on 15 April 2002. Mr Dai is a senior economist and visiting professor of NPC Training Centre. He holds several leading posts in large-scale state enterprise and listed companies. Mr Dai has extensive experience in acquisition and reorganisation in the PRC. Prior to joining the Group, Mr Dai was an officer of Shenzhen Investment Holding Corporation, a director and deputy chief executive of Shenzhen JinTian Industry (Group) Co Ltd and a director and deputy general manager of Shenzhen YiLi Mineral Water Co Ltd. He is currently a general manager of Shenzhenshi ZhongXinKai Investment and Development Co Ltd and an independent executive of Sichuan Dikang Sci-Tech Pharmaceutical Co Ltd.

Report of the Directors (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS (Continued)

Independent Non-executive Directors

LI Fui Lung, Danny, aged 49, was appointed as an independent non-executive director on 23 October 2001, Mr Li is the sole proprietor of Messrs Danny Li & Company, a certified public accountants firm in Hong Kong. He also serves as an audit committee member of the Group since October 2001.

NG Hoi Yue, Hermen, aged 38, was appointed as an independent non-executive director on 16 May 2002. Mr Ng has been practising as a certified public accountant in Hong Kong for more than 12 years. He is a fellow member of both the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants. He also serves as an audit committee member of the Group since May 2002.

CONNECTED TRANSACTIONS

- (a) Significant related party transactions entered by the Group during the year ended 30 June 2002, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), are disclosed in note 41 to the financial statements.
- (b) Other related party transactions, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14 of the Listing Rules, are as follows:

On 30 January 2002, the Company entered into a disposal agreement with Tripoli Investments Limited ("Tripoli"), a company incorporated in the British Virgin Islands and owned by Mr Lee Chun Kwok and Mr Fong Wing Seng, pursuant to which the Company conditionally agreed to dispose of and Tripoli agreed to purchase 49% of the issued share capital of Welback International Investments Limited ("Welback International") and the 49% of the shareholder's loans as at the date of completion of the disposal agreement due to the Company by Welback International and its subsidiaries at an aggregate cash consideration of HK\$43,000,001 (subject to adjustment). Independent shareholders' approval was obtained at a special general meeting held on 18 March 2002. Completion of the transaction took place on 19 April 2002 and the Company had received an adjusted aggregate cash consideration of HK\$40,570,549, calculated in accordance with the audited consolidated financial statements of Welback International and its subsidiaries made up to 19 April 2002, from Tripoli.

The Company has issued guarantee and certain 51% owned subsidiaries, have pledged their properties together with bank deposits of HK\$8.6 million (2001 :Nil) to banks for obtaining credit facilities to the extent of HK\$31.7 million which can be utilised by those 51% owned subsidiaries. As at 30 June 2002, the outstanding amount of facilities utilised by those 51% owned subsidiaries amounting to approximately HK\$21.5 million (2001: Nil).

Report of the Directors (Continued)

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 30 June 2002, the Company had been notified of the following substantial shareholder's interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name of shareholder	Number of ordinary shares held
Liu Kuo Hui	1,284,890,000
Kimasset Holdings Limited	1,212,120,000

The interest of Mr Liu Kuo Hui (alias Mr Lau Kwok Fai) for 1,212,120,000 ordinary shares of the Company are held through Kimasset Holdings Limited, which is wholly owned by Mr Liu Kuo Hui.

Save as disclosed above, the Company has not been notified of any other parties having an interest of 10% or more of the issued share capital of the Company as at 30 June 2002.

CONVERTIBLE BONDS, SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the warrants, share options and convertible bonds set out in notes 25 and 28 to the financial statements, the Company had no other outstanding convertible bonds, securities, options, warrants or similar rights as at 30 June 2002.

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

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 listed securities during the year.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer of the Group by itself and together with the next four largest customers accounted for approximately 2% and 7% respectively of the Group's turnover for the year under review.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for approximately 11% and 39% respectively of the Group's purchases for the year under review.

As at 30 June 2002, to the knowledge of the directors of the Company, none of the directors, their associates or any shareholders owning more than 5% of the Company's share capital had any beneficial interests in the Group's five largest customers or the five largest suppliers mentioned in the preceding paragraphs.

Report of the Directors (Continued)

SUBSEQUENT EVENTS

Details of the significant subsequent events are set out in note 42 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year ended 30 June 2002, 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.

AUDITORS

Messrs HLB Hodgson Impey Cheng were appointed by the Board of Directors on 23 November 2001 to act as auditors of the Company to fill the casual vacancy arising from the resignation of Messrs Deloitte Touche Tohmatsu.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs HLB Hodgson Impey Cheng as auditors of the Company.

Apart from the foregoing, there were no other changes of auditors of the Company in any of the preceding three years.

On behalf of the Board
Koh Tat Lee, Michael
Executive Director

Hong Kong, 25 October 2002