



REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2002.

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, manufacture and sale of contact and contactless smart card readers and related products, property holding 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.

With effect from 6 December 2002, the name of the Company was changed from "Omnitech Group Limited" to "Omicorp Limited" and the Chinese name of the Company for identification remains unchanged.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 63.

No interim dividend was paid during the year (2001: Nil) and the Directors do not recommend the payment of a final dividend in respect of the year (2001: Nil).

REPORT OF THE DIRECTORS (continued)

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				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Results					
Turnover	<u>136,427</u>	<u>78,697</u>	<u>1,774,546</u>	<u>4,139,174</u>	<u>4,278,739</u>
Loss before taxation	(207,380)	(132,545)	(325,197)	(602,304)	(277,756)
Taxation	<u>1,039</u>	<u>(718)</u>	<u>(124)</u>	<u>(10,435)</u>	<u>(9,833)</u>
Loss before minority interests	(206,341)	(133,263)	(325,321)	(612,739)	(287,589)
Minority interests	<u>13,397</u>	<u>(24)</u>	<u>378</u>	<u>1,246</u>	<u>7,786</u>
Net loss attributable to shareholders	<u>(192,944)</u>	<u>(133,287)</u>	<u>(324,943)</u>	<u>(611,493)</u>	<u>(279,803)</u>

REPORT OF THE DIRECTORS (continued)

	31 December				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Assets and liabilities					
Properties, plant and equipment	5,475	7,841	20,633	372,363	819,753
Investment properties	31,200	14,200	24,810	32,558	16,250
Long term investments	50,394	70,031	—	—	80,205
Interests in associates	33,058	163,593	180,264	75	164,885
Intangible assets	—	—	—	—	73,033
Current assets	111,123	606,651	694,466	1,436,417	1,083,676
Total assets	231,250	862,316	920,173	1,841,413	2,237,802
Current liabilities	(68,130)	(633,121)	(574,576)	(1,245,314)	(1,029,233)
Interest bearing bank and other borrowings	—	—	—	—	(26,365)
Deferred tax	—	(1,302)	(2,069)	(9,230)	(6,552)
Minority interests	(31,070)	(309)	(309)	(10,530)	(44,355)
Total liabilities	(99,200)	(634,732)	(576,954)	(1,265,074)	(1,106,505)
Net assets	132,050	227,584	343,219	576,339	1,131,297

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.

REPORT OF THE DIRECTORS (continued)

ASSOCIATES

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

BANK BORROWINGS

Details of the Group's bank borrowings at the balance sheet date are set out in note 21 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 23 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 Group and the Company during the year are set out in note 24 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2002, the Company's share premium account, in the amount of HK\$46,317,000 (2001: HK\$745,032,000), was available to be distributed in the form of fully paid bonus shares.

At 31 December 2002, the Company had contributed surplus and accumulated losses of HK\$125,376,000 and HK\$31,046,000, respectively (2001: HK\$502,176,000 and HK\$1,050,553,000, respectively).

Details of movements in the distributable reserves of the Company are set out in note 24 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events relating to the Group are set out in note 28 to the financial statements.

REPORT OF THE DIRECTORS (continued)

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2002:

- (i) the aggregate amount of turnover attributable to the five largest customers represented 35% of the Group's total turnover. Sales to the largest customer amounted to 9.6% 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 56% of the Group's total purchases. Purchases from the largest supplier amounted to 15% of the Group's total purchases.

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:

Shaw Wen Fei*

Lui Chun Bing, Tommy

Au Hoi Tsun, Peter (appointed on 22 April 2002)

Hui Tung Wah, Samuel

Sung Yan Wai, Petrus (appointed on 24 March 2003)

Leung Man Kwan, Francis (appointed on 4 March 2003)

Chim Chun Kwan, Sandy

Wong Che Keung, Richard**

Tong Yee Yung, Joseph**

Huen Wing Ming, Patrick (resigned on 21 March 2003)

Lau Ho Kit, Ivan (resigned on 28 February 2003)

* Non-executive Director

** Independent non-executive Directors

In accordance with Bye-Law 89 of the Company's Bye-Laws, Messrs. Sung Yan Wai, Petrus and Leung Man Kwan, Francis 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, Messrs. Wong Che Keung, Richard and Tong Yee Yung, Joseph will retire by rotation, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS (continued)

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 2002, 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
Shaw Wen Fei	—	—	1,064,900 (Note 1)	1,064,900
Lui Chun Bing, Tommy	486,800	—	1,000,000 (Note 2)	3,486,800
			2,000,000 (Note 3)	
Au Hoi Tsun, Peter	345,000	—	—	345,000
Hui Tung Wah, Samuel	10,000 (Note 4)	—	—	10,000
Huen Wing Ming, Patrick (Note 5)	—	1,000 (Note 6)	6,200,000 (Note 7)	6,301,000
			100,000 (Note 8)	

Notes:

- (1) 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.
- (2) 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.
- (3) These shares were held by Expert View Group Limited, which is 66.67% beneficially owned by Ms. Sum Kin Man and 33.33% beneficially owned by Mr. Lui Tin Shun, the wife and son of Mr. Lui Chun Bing, Tommy respectively and therefore he was deemed to have an interest in these shares.

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- (4) These shares were jointly owned by Ms. Tsang Oi Yin, Amy, the wife of Mr. Hui Tung Wah, Samuel.
- (5) Mr. Huen Wing Ming, Patrick resigned on 21 March 2003.
- (6) These shares were held by Mr. Huen Wing Ming, Patrick's wife, Mrs. Huen Ng Sui Fong, Isabel and therefore he was deemed to have an interest in these shares.
- (7) 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.
- (8) These shares were held by Patova International Ltd., which is wholly-owned by Mr. Huen Wing Ming, Patrick 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 could, 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.

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").

REPORT OF THE DIRECTORS (continued)

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 and 4,543,676 shares after share consolidation of the Company effective 2 December 2002. 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

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, as at 31 December 2002, other than the interests disclosed under the heading "Directors' Interests in Shares" above, no other person or corporate entity had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.



REPORT OF THE DIRECTORS (continued)

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

During the year, the Company repurchased its shares on the Stock Exchange, all of which have been automatically cancelled, as follows:

Month	Number of shares purchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Total amount paid HK\$
December 2002	447,000	1.70	1.60	748,390

Save as disclosed above, 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 the Stock Exchange 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.

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 year ended 31 December 1999 and resigned on 19 December 2000. Since their resignation, Moore Stephens were appointed as auditors of the Company.

On Behalf of the Board

Shaw Wen Fei

Chairman

16 April 2003