

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 comprise the manufacture and sale of electronic and related components and parts (comprising keypads, synthetic rubber and plastic components and parts, and liquid crystal displays ("LCD")), and the design, manufacture and sale of electronic consumer products (comprising electronic calculators, alarm clocks and LCD products). There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit 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 22 to 65.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2002.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and 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 on page 66. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the Group's fixed assets are set out in note 14 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of the Company's share capital, share options and warrants are set out in notes 29 and 30 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws and there are no restrictions against such rights under the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2002, the Company's reserves available for cash distribution and/or distribution in specie, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK\$50,387,631 (2001: HK\$41,539,710). In addition, the Company's share premium account, in the amount of HK\$49,611,281 (2001: HK\$49,611,281) may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 31.7% (2001: 28.6%) of the Group's total turnover for the year and the sales to the largest customer included therein amounted to approximately 9.2% (2001: 8.2%).

Purchases made from the Group's five largest suppliers accounted for approximately 32.4% (2001: 28.3%) of the Group's total purchases for the year and the purchases from the largest supplier included therein amounted to approximately 8.5% (2001: 7.6%).

As far as the directors are aware of, neither the directors, their associates, nor those shareholders which to the best knowledge of the directors own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and five largest suppliers.

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DIRECTORS

The directors of the Company during the year were:

Executive directors:

Lai Pei Wor
Chan Yau Wah
Chung Yik Cheung, Raymond
Wong Kwong Ming (resigned on 30 June 2002)

Independent non-executive directors:

Tsao Kwang Yung, Peter
Kung Fan Cheong

In accordance with bye-law 87 of the Company's bye-laws, Kung Fan Cheong will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from 1 January 2000, and thereafter until terminated by either party giving to the other not less than six months' notice in writing.

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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Company and its subsidiaries to which the Company or any of its subsidiaries was a party during the year.

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DIRECTORS' INTERESTS IN SHARES

At 31 December 2002, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Limited Companies, were as follows:

Ordinary shares of the Company

Name of director	Nature of interest	Number of shares
Lai Pei Wor	Other *	97,242,000
Chan Yau Wah	Personal	5,200,000
Chung Yik Cheung, Raymond	Personal	152,000

* Details of Lai Pei Wor's other interests are set out in the section headed "Substantial shareholders" below.

The interests of the directors in the share options of the Company are separately disclosed in note 30 to the financial statements.

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations as defined in Section 29 of the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Directors' interests in shares" above and in the share option scheme disclosures in note 30 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option scheme have been moved to note 30 to the financial statements.

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SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares	Percentage of the Company's issued share capital
Celaya Limited (<i>Note a</i>)	97,242,000	38.9
Ansbacher (BVI) Limited (<i>Note b</i>)	97,242,000	38.9

Notes:

- (a) Celaya Limited holds 97,242,000 shares in its capacity as trustee of The Lai Family Unit Trust, of which all units are held by Ansbacher (BVI) Limited in its capacity as trustee of The Lai Family Trust, a discretionary trust of which Lai Pak Hung and Lai Yee Man (both children of Lai Pei Wor and under the age of 18) and Chan Yuk Lin (wife of Lai Pei Wor) are discretionary objects.
- (b) The shares referred to herein relate to the same parcel of shares referred to in note (a) above.

Save as disclosed above, the Company has not been notified of any other interest representing 10% or more in the Company's issued share capital as at 31 December 2002.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 33 to the financial statements.

CONNECTED TRANSACTIONS

During the year, the Group had no connected transactions as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code. The 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.

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AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, 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.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lai Pei Wor

Chairman

Hong Kong

25 April 2003