

The directors 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. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. 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 21 to 60.

The directors recommend the payment of a final dividend of HK0.8 cents per ordinary share in respect of the year to shareholders on the register of members on 29 May 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 September 2001, after deduction of related issuance expenses, amounted to approximately HK\$47 million, of which approximately HK\$33 million was applied during the year ended 31 December 2001. The remaining net proceeds of approximately HK\$14 million were fully applied during the year ended 31 December 2002 in accordance with the proposed applications set out in the Company's prospectus dated 6 September 2001, as follows:

- as to approximately HK\$1 million for the acquisition of additional machinery and equipment to increase the Group's production capacity for calculators;
- as to approximately HK\$6 million for the expansion of the Group's production facilities for liquid crystal displays;
- as to approximately HK\$4 million for the construction of factory premises to house additional machinery and equipment for the Group's production of calculators;
- as to approximately HK\$1 million for the expansion of the Group's existing product lines in calculators and the development of new product lines such as electronic organisers and watches; and
- as to approximately HK\$2 million for marketing and promotion.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published combined/consolidated results and assets and liabilities of the Group for the five years ended 31 December 1998, 1999, 2000, 2001 and 2002, prepared on the basis set out in the note below:

RESULTS

	Year ended 31 December				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
TURNOVER	502,793	441,458	273,627	183,057	123,299
PROFIT FROM OPERATING ACTIVITIES	76,331	60,542	37,623	24,727	16,166
Finance costs	(1,102)	(796)	(536)	(317)	(12)
PROFIT BEFORE TAX	75,229	59,746	37,087	24,410	16,154
Tax	(12,866)	(9,658)	(5,929)	(3,847)	(2,550)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	62,363	50,088	31,158	20,563	13,604

ASSETS AND LIABILITIES

	At 31 December				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
NON-CURRENT ASSETS	102,940	86,582	44,002	16,526	10,665
CURRENT ASSETS	218,153	156,517	86,771	56,037	33,667
TOTAL ASSETS	321,093	243,099	130,773	72,563	44,332
CURRENT LIABILITIES	124,476	94,981	75,678	37,855	22,073
NON-CURRENT LIABILITIES	415	4,352	4,011	2,783	2,897
TOTAL LIABILITIES	124,891	99,333	79,689	40,638	24,970
	196,202	143,766	51,084	31,925	19,362

SUMMARY FINANCIAL INFORMATION (continued)

Note: The summary of the combined results for the years ended 31 December 1998, 1999 and 2000, and of the assets and liabilities of the Group as at those dates has been extracted from the Company's prospectus dated 6 September 2001. The consolidated results for the years ended 31 December 2001 and 2002 and of the assets and liabilities of the Group as at those dates are set out in the financial statements on pages 21 and 22, respectively. The summary of the combined/consolidated results for the years ended 31 December 1998, 1999, 2000 and 2001, and of the assets and liabilities of the Group as at 31 December 1998, 1999 and 2000 includes the results, and assets and liabilities of the Company and its subsidiaries as if the current structure of the Group had been in existence throughout the years ended 31 December 1998, 1999, 2000 and 2001.

FIXED ASSETS

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

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 23 and 24 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 25 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 distribution, calculated in accordance with the Companies Law (Revised) of the Cayman Islands, amounted to HK\$128,706,000, of which HK\$11,520,000 has been proposed as final dividend for the year. This includes the Company's share premium account in the amount of HK\$113,665,000 as at 31 December 2002, which may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total sales and total purchases for the year, respectively.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Lam Ping Kei

Ms. Wong Choi Fung

Ms. Lam Chu Ying

Mr. Ng Ying Yin *(resigned on 1 September 2002)*

Mr. Law Wai Fai

Mr. Yeung Kwong Lun *(appointed on 1 September 2002)*

Independent non-executive directors

Mr. Kwan Kai Ming

Mr. Lin Tian Shen

In accordance with the Company's articles of association, Ms. Wong Choi Fung will retire by rotation and, being eligible, will offer herself for re-election at the forthcoming annual general meeting.

In accordance with the Company's articles of association, Mr. Yeung Kwong Lun will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Each of the independent non-executive directors is appointed for a term of two years commencing from 1 September 2001.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years (except for Ms. Lam Chu Ying, Mr. Law Wai Fai and Mr. Yeung Kwong Lun where their respective service contracts have a term of one year) commencing on 1 September 2001 (except for the service contract of Mr. Yeung Kwong Lun whose contract commenced on 1 September 2002), which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

DIRECTORS' SERVICE CONTRACTS (Continued)

Save as disclosed above, 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, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

At 31 December 2002, the interests of the directors in the share capital and warrants 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"), were as follows:

Ordinary shares of the Company

Name of director	Notes	Number of ordinary shares of HK\$0.01 each held and nature of interest		
		Personal	Family	Corporate
Mr. Lam Ping Kei	1	–	–	702,000,000
Ms. Wong Choi Fung	2	–	–	378,000,000
		–	–	1,080,000,000

Warrants of the Company

Name of director	Notes	Number of warrants held and nature of interest		
		Personal	Family	Corporate
Mr. Lam Ping Kei	1	–	–	140,400,000
Ms. Wong Choi Fung	2	–	–	75,600,000
		–	–	216,000,000

The interests of the directors in the share options of the Company are separately disclosed in note 24 to the financial statements.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS (Continued)

Warrants of the Company (Continued)

Notes:

1. These ordinary shares and warrants are owned by Super Giant Assets Limited ("Super Giant"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Super Giant is beneficially owned by Mr. Lam Ping Kei.
2. These ordinary shares and warrants are owned by Fastmath Assets Limited ("Fastmath"), a company incorporated in the BVI. The entire issued share capital of Fastmath is beneficially owned by Ms. Wong Choi Fung.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' interests in shares and warrants" above and in the share option scheme disclosures in the note 24 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of 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

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 24 to the financial statements.

Concerning the share options granted during the year to certain directors and employees of the Group as detailed in note 24 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year, because in the absence of a readily market value of the share options on the ordinary shares of the Company, the directors were unable to arrive at an assessment of the value of these share options.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, the following interests of 10% or more of 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 ordinary shares held	Percentage of the Company's issued share capital
Super Giant	702,000,000	48.75
Fastmath	<u>378,000,000</u>	<u>26.25</u>

Save as disclosed above, no person 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.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

No director had interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), during the year and up to the date of this report.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group and the Company are set out in note 30 to the financial statements.

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.

AUDIT COMMITTEE

The Company has an audit committee (the "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 Committee comprises the two independent non-executive directors of the Company, Mr. Kwan Kai Ming and Mr. Lin Tian Shen.

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

Lam Ping Kei

Chairman

Hong Kong

24 April 2003