

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 and associates consisted of the design, development, manufacture and distribution of electronic products and components and provision of financial services. There were no changes in the nature of these activities during the year.

SEGMENTED INFORMATION

Details of turnover and segmented information are set out in notes 5 and 36 to the financial statements.

RESULTS AND DIVIDENDS

The Group's results 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 30 to 76.

An interim dividend of HK9 cents per ordinary share was paid on 5 November 2002. The directors recommend the payment of a final dividend of HK11 cents per share in respect of the year to the shareholders on the register of members on 6 June 2003.

COMPLIANCE WITH THE 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year covered by the annual report. 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.

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 published audited financial statements and restated as appropriate, is set out below:

RESULTS

	2002 HK\$ million	Year ended 31 December			
		2001 HK\$ million	2000 HK\$ million	1999 HK\$ million	1998 HK\$ million
TURNOVER	6,646	7,818	8,309	5,757	4,598
PROFIT/(LOSS) BEFORE TAX	305	532	(350)	376	178
Tax	(3)	(4)	(13)	(11)	(5)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	302	528	(363)	365	173
Minority interests	76	(71)	(218)	(174)	(64)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS (RESTATED)			(581)	191	109
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (AS PREVIOUSLY REPORTED)	378	457	406	195	120

ASSETS AND LIABILITIES

	2002 HK\$ million	31 December			
		2001 HK\$ million	2000 HK\$ million	1999 HK\$ million	1998 HK\$ million
NON-CURRENT ASSETS	3,161	2,251	2,394	2,227	2,030
CURRENT ASSETS	2,639	3,593	3,964	3,296	1,363
TOTAL ASSETS	5,800	5,844	6,358	5,523	3,393
CURRENT LIABILITIES	2,245	2,819	3,697	3,073	1,370
NON-CURRENT LIABILITIES	905	199	50	53	179
TOTAL LIABILITIES	3,150	3,018	3,747	3,126	1,549
	2,650	2,826	2,611	2,397	1,844
SHARE CAPITAL AND RESERVES	2,066	2,074	1,549	1,692	1,429
MINORITY INTERESTS	584	752	1,062	705	415
	2,650	2,826	2,611	2,397	1,844

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 12 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates are set out in notes 14, 15 and 37 to the financial statements, respectively.

SHARE CAPITAL AND SHARE PREMIUM

Details of movements in the Company's share capital and share premium are set out in notes 28 and 29 to the financial statements.

BORROWINGS

Details of the borrowings of the Company and the Group are set out in notes 23, 24 and 34 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2002, the Company's reserves available for cash distribution to shareholders, calculated under the provisions of the Companies Act 1981 of Bermuda amounted to HK\$1,484 million.

The Company's share premium account 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 largest customer and five largest customers accounted for approximately 16% and 45%, respectively, of the Group's total turnover for the year.

Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 14% and 20%, respectively, of the Group's total purchases for the year.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 7 to the financial statements.

DIRECTORS

The directors of the Company during the year were:

Mrs. Christine L. S. Asprey
 Mr. Michael A. B. Binney
 Ms. Anita S. C. Chiu
 Mr. Christopher W. Ho
 Mr. C. F. Lam
 Mr. Paul K. F. Law
 Mr. Adrian C. C. Ma
 Mr. Terence P. Scandrett (resigned on 9 August 2002)
 Mr. Herbert H. K. Tsoi
 Mr. Samuel K. Yuen

In accordance with Bye-Law 99, Ms. Anita S. C. Chiu, Mr. C. F. Lam and Mr. Samuel K. Yuen will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 4, 25 and 27 to the financial statements, no director had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

There were no unexpired service contracts which are not determinable by the Company within one year without compensation, other than statutory payments, in respect of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN SHARE CAPITAL

The interests of the directors and their associates in the equity or debt securities of the Company and its associated corporations as required to be recorded in the Register of Directors' Interests maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") at the balance sheet date are set out below:

Directors	Number of issued ordinary shares of HK\$0.10 each in the Company	
	Personal interests	Corporate interests
Mr. Christopher W. Ho	–	295,067,713*
Mr. C. F. Lam	303,600	–
Mr. Adrian C. C. Ma	78,000	–

* Mr. Christopher W. Ho had a 100% deemed beneficial interest in The Grande International Holdings Limited ("GIHL") which owned 295,067,713 ordinary shares in the Company through its wholly owned subsidiary, Barrican Investments Corporation ("BIC").

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

The share option scheme adopted by the Company on 26 November 1990 had expired and there were no options outstanding as at the date of this report.

Apart from the foregoing, 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.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Board of Directors				
Mr. Christopher W. Ho	52	Chairman	12	Manufacturing, international trading and corporate finance
Mr. Adrian C. C. Ma	58	Group Managing Director and Managing Director, Branded Distribution Division	19	Consumer electronics industry
Mrs. Christine L. S. Asprey	54	Executive Director	5	International marketing, market research and industrial affairs
Mr. Michael A. B. Binney	44	Executive Director, Company Secretary and Managing Director, Financial Services Division	13	Finance, accounting and corporate restructuring
Mr. C. F. Lam	53	Executive Director and Managing Director, Magnetic Media Division	28	Computer magnetic media industry
Mr. Paul K. F. Law	46	Executive Director and Managing Director, Electronics Manufacturing Services Division	11	Consumer electronics industry
Mr. Samuel K. Yuen	48	Executive Director and Chief Financial Officer	11	Finance, accounting and taxation
Independent Directors				
Mr. Herbert H. K. Tsoi	52	Non-executive Director	5	Solicitor
Ms. Anita S. C. Chiu	46	Non-executive Director	4	Architect

Mr. Christopher W. Ho and Mrs. Christine L. S. Asprey are brother and sister.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF SENIOR MANAGEMENT STAFF

Name	Age	Position held	Number of years of service	Business experience
Electronics Manufacturing Services Division				
Ms. Anissa Y. Y. Choi	48	Deputy Managing Director	22	Consumer electronics industry
Mr. Bill J. H. Chou	42	Deputy Managing Director	18	Consumer electronics industry
Magnetic Media Division				
Mr. K. T. Fok	42	Director – Engineering and Operations	20	Computer industry
Mr. Chau Lung	48	Director – Development	20	Computer industry
Branded Distribution Division				
Mr. Takeshi Nakamichi	53	Deputy Managing Director	31	Product research and development
Mr. Christopher T. O. Chiang	46	Executive Director	4	Sales and marketing
Mr. Ata Malik	56	Executive Director	30	Sales and marketing
Ms. Ann Leong	44	Executive Director	2	Sales and marketing
Mr. H.C. Yeung	44	General Manager – China Trade	19	Sales and marketing
Mr. T.S. Wong	33	Deputy General Manager – China Trade	10	Sales and marketing
Financial Services Division				
Mr. Tony W. M. Lam	38	Director – Treasury	11	Banking and treasury
Legal				
Ms. Ruby Y. K. Lee	41	Group Legal Counsel	9	Solicitor

SUBSTANTIAL SHAREHOLDERS

Pursuant to Section 16(1) of the SDI Ordinance, no persons other than Mr. Christopher W. Ho, GIHL and BIC, whose interests are disclosed in “Directors’ Interests in Share Capital” above, had registered an interest in the Company’s issued shares at 31 December 2002 amounting to 10% or more of the ordinary shares in issue.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31 December 2002 was approximately 13,300. Employees are remunerated according to their performance and working experience, and the nature of the job and market conditions.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 38 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s Bye-Laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31 December 2002, which constitutes connected transactions under the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited, is disclosed in note 4 to the financial statements.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

Advance to an entity

As disclosed in the 2000 annual report, Omnicorp Limited (formerly Omnitech Group Limited) (“O2New”), a then subsidiary of the Company, entered into a loan agreement in which O2New agreed to extend an on demand revolving loan facility of up to HK\$630 million to the Akai Group including Akai Electric Co., Ltd. (“AEL”) for the attempted rescue and restructuring thereof. On 9 October 2001, the Company accepted a Promissory Note of HK\$600 million issued by Prosperous Finance Limited (“PFL”), a wholly owned subsidiary of O2New, as part settlement of the advance receivable from O2New. The only substantial asset of PFL was the “Akai” trademarks which were held by a wholly owned subsidiary. As at 31 December 2001, the advance receivable from O2New and PFL in relation to the Akai rescue amounted to HK\$618 million (2000: HK\$425 million). On 21 January 2002, O2New issued 280 million new shares at HK\$0.065 per share to a subsidiary of the Company. During 2002, the advance was paid down by HK\$167 million. PFL also transferred 32 million AEL shares to the Group as partial settlement of the outstanding advance. The remaining balance of HK\$433 million was treated as investment in AEL although the Group still has a claim on PFL but the recovery, if any, is not considered to be significant.

AUDIT COMMITTEE

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company has established an Audit Committee.

The members of the Audit Committee during the year were:

Independent non-executive directors

Mr. Herbert H. K. Tsoi
Ms. Anita S. C. Chiu

The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

AUDITORS

Messrs. Deloitte Touche Tohmatsu 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

Christopher W. Ho
Chairman

Hong Kong
25 April 2003