

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 Group's principal activities consisted of the design, development, manufacture and sale of electronic products, the manufacture and sale of printed circuit boards, the trading and distribution of electronic components and parts, the trading of listed equity investments, the provision of loan financing and the manufacture and sale of optical products.

The manufacture and sale of optical products were new businesses entered into the Group during the year upon its acquisition of Swank International Manufacturing Company Limited, a company incorporated in Hong Kong with limited liability and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**RESULTS AND DIVIDENDS**

The Group's profit for the year ended 31 December 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 22 to 72.

The directors do not recommend the payment of any dividend in respect of the year.

**SUMMARY FINANCIAL INFORMATION**

A summary of the results of the Group for the last five financial reporting years and of its assets, liabilities and minority interests at the respective financial reporting year end dates, as extracted from the published audited financial statements of the Group, is set out below.

	<b>Year ended 31 December</b>				
	<b>2002</b>	2001	2000	1999	1998
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>RESULTS</b>					
<b>TURNOVER</b>	<b>741,077</b>	544,174	659,807	601,609	483,557
PROFIT/(LOSS) AFTER FINANCE COSTS	<b>60,560</b>	28,462	36,943	(38,603)	(27,470)
Share of profits less losses of associates	<b>5,797</b>	—	—	—	—
PROFIT/(LOSS) BEFORE TAX	<b>66,357</b>	28,462	36,943	(38,603)	(27,470)
Tax	<b>(4,675)</b>	(3,079)	(5,424)	(6,265)	988
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<b>61,682</b>	25,383	31,519	(44,868)	(26,482)
Minority interests	<b>1,165</b>	5,734	976	(30)	(4)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<b>62,847</b>	31,117	32,495	(44,898)	(26,486)

**SUMMARY FINANCIAL INFORMATION** (continued)

	<b>As at 31 December</b>				
	<b>2002</b>	2001	2000	1999	1998
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS, LIABILITIES AND MINORITY INTERESTS</b>					
FIXED ASSETS	<b>201,955</b>	138,811	135,800	132,476	185,810
NEGATIVE GOODWILL	<b>(58,671)</b>	—	—	—	—
INTERESTS IN ASSOCIATES	<b>30,894</b>	—	—	42	23
PREPAID RENTAL	<b>4,114</b>	4,851	5,588	6,324	7,061
RENTAL DEPOSITS	<b>972</b>	517	397	—	—
DEFERRED PRODUCT DEVELOPMENT COSTS	<b>4,195</b>	4,459	4,131	3,684	5,829
DEFERRED PRE-OPERATING EXPENSES	—	—	—	—	3,363
CURRENT ASSETS	<b>676,241</b>	575,477	421,444	252,277	200,805
<b>TOTAL ASSETS</b>	<b>859,700</b>	724,115	567,360	394,803	402,891
CURRENT LIABILITIES	<b>136,492</b>	87,647	146,674	191,152	140,960
LONG TERM BANK BORROWINGS	—	—	—	—	13,247
PROVISION FOR LONG SERVICE PAYMENTS	<b>1,465</b>	—	—	—	—
DEFERRED TAX	<b>1,433</b>	1,433	1,433	600	—
<b>TOTAL LIABILITIES</b>	<b>139,390</b>	89,080	148,107	191,752	154,207
<b>MINORITY INTERESTS</b>	<b>32,233</b>	36,443	42,177	8,836	8,806
<b>NET ASSETS</b>	<b>688,077</b>	598,592	377,076	194,215	239,878

**FIXED ASSETS**

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

### **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 29 and 30 to the financial statements.

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 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, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$88,795,000. In addition, the Company's share premium account, in the amount of HK\$200,556,000, may be distributed in the form of fully paid bonus shares.

### **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, sales to the Group's five largest customers accounted for 31% of the total sales for the year and sales to the largest customer included therein amounted to 14% of the total sales. Purchases from the Group's five largest suppliers accounted for 34% of the total purchases for the year and purchases from the largest supplier included therein amounted to 8% of the total purchases.

As far as the directors are aware, neither the directors, their associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) nor those shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

### **DIRECTORS**

The directors of the Company during the year were:

#### **Executive directors:**

Mr. Yau Tak Wah, Paul (*Chairman*)  
Mr. Tam Ping Wah  
Ms. Louie Mei Po  
Ms. Wong Shin Ling, Irene  
Mr. Tam Wing Kin

**DIRECTORS** (continued)

**Independent non-executive directors:**

Mr. Ng Wai Hung  
Mr. Cheung Chung Leung, Richard

In accordance with clause 87 of the Company's bye-laws, Mr. Tam Ping Wah and Mr. Ng Wai Hung will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

**DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 13 of the Annual Report.

**DIRECTORS' SERVICE CONTRACTS**

Mr. Yau Tak Wah, Paul and Mr. Tam Ping Wah have entered into service contracts with the Company for a fixed term of three years from 26 April 2000 to 25 April 2003, which thereafter are terminable by either party upon the giving of six months' notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment other than statutory compensation.

**DIRECTORS' INTERESTS IN SHARES**

At 31 December 2002, the interests of the directors in the listed securities of the Company 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:

<u>Director</u>	<u>Notes</u>	<u>Nature of interest</u>	<u>Number of shares</u>
Mr. Yau Tak Wah, Paul	1	Corporate	148,474,000
Mr. Tam Ping Wah	2	Corporate	80,000

*Notes:*

1. These shares were held through Pacific Shore Profits Limited, a company beneficially owned by Mr. Yau Tak Wah, Paul.
2. These shares were held through Strong Trend International Limited, a company beneficially owned by Mr. Tam Ping Wah.

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

**DIRECTORS' INTERESTS IN SHARES** (continued)

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

**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.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed 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.

**DIRECTORS' INTERESTS IN CONTRACTS**

No director had a material interest 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.

**SUBSTANTIAL SHAREHOLDERS**

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

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>Percentage of issued share capital</b>
Winspark Venture Limited ( <i>Note</i> )	1,658,359,630	58%

*Note:* The entire issued share capital of Winspark Venture Limited is beneficially owned by Mr. Chan Yuen Ming.

Save as disclosed above, no other person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

**PURCHASE, REDEMPTION OR SALE OF SECURITIES**

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

**CONNECTED PARTY TRANSACTIONS**

Details of the connected party transactions are set out in note 35 to the financial statements.

**POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

**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.

**CODE OF BEST PRACTICE**

In the opinion of the directors, the Company has 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, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's bye-laws.

**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

**Yau Tak Wah, Paul**

*Chairman*

Hong Kong  
28 April 2003