

# Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and associate are the manufacture of and trading in electronic products, conductive silicon rubber keypads and printed circuit boards.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 29.

The directors recommend the payment of a final dividend of HK0.5 cent per share to the shareholders whose names appear on the register of members on 28 May 2003, amounting to a total amount of approximately HK\$2,754,000.

The register of members of the Company will be closed from 22 May 2003 to 28 May 2003, both days inclusive, during which period no transfer of shares will be registered.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$38,425,000 to expand its production facilities. The Group has also revalued its land and buildings as at 31 December 2002, resulting in a revaluation surplus of approximately HK\$4,865,000, which has been credited to the asset revaluation reserve, and a revaluation deficit of approximately HK\$346,000, which has been charged to the income statement.

Details of these and other movements during the year in property, plant and equipment of the Group are set out in Note 12 to the financial statements.

## SHARE CAPITAL

Details of movements during the year in the issued share capital of the Company are set out in Note 24 to the financial statements.

## RESERVES

Details of movements during the year in the reserves of the Group and the Company are set out in Note 25 to the financial statements.

## DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

### Executive directors:

Mr. Tong Shek Lun (*Chairman and Managing Director*)  
Mr. Li Ka Fai, Fred  
Ms. Ko Lai King, Kinny  
Ms. Chung Wai Yu, Regina  
Mr. Tam Lung Shor (resigned on 14 January 2002)  
Mr. Wu Yong Yei (resigned on 1 June 2002)

### Non-executive directors:

Mr. Lee Kwok Leung  
Mr. Yang Yiu Chong, Ronald Jeffrey

### Independent non-executive directors:

Mr. Sun Yaoquan  
Mr. Tsao Kwang Yung, Peter  
Mr. Goh Gen Cheung

In accordance with Clauses 87(1) and 87(2) of the Company's bye-laws, Mr. Li Ka Fai, Fred, Mr. Yang Yiu Chong, Ronald Jeffrey and Mr. Lee Kwok Leung retire and, being eligible, offer themselves for re-election.

Mr. Tong Shek Lun, Mr. Li Ka Fai, Fred, Ms. Ko Lai King, Kinny and Ms. Chung Wai Yu, Regina have entered into service contracts with the Company for a period of three years commencing from 1 February 2001.

Other than as disclosed above, no director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The non-executive directors have been appointed for a term subject to retirement by rotation in accordance with the Company's bye-laws.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

# Directors' Report

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

The executive directors have confirmed to the Company that they are not interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

## DIRECTORS' INTERESTS IN SECURITIES

### (i) Shares

As at 31 December 2002, the interests of the directors and their associates, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("Listing Rules"), in the shares of the Company or any associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of director	Type of interests	Number of shares
Mr. Tong Shek Lun	Corporate	231,180,000
Mr. Li Ka Fai, Fred	Corporate	231,180,000
Ms. Ko Lai King, Kinny	Corporate	231,180,000
Ms. Chung Wai Yu, Regina	Corporate	231,180,000

The above shares are held by Sapphire Profits Limited, a substantial shareholder of the Company. Mr. Tong Shek Lun, Mr. Li Ka Fai, Fred, Ms. Ko Lai King, Kinny and Ms. Chung Wai Yu, Regina each owns 90.41%, 3.46%, 3.46% and 2.67% of the issued share capital of Sapphire Profits Limited, respectively.

### (ii) Share option schemes

In accordance with the Company's share option scheme (the "Old Share Option Scheme") which was adopted pursuant to a resolution passed on 14 February 1998 and which will expire on 13 February 2008, the board of directors of the Company may grant options to eligible employees, including directors, of the Company and any of its subsidiaries to subscribe for shares in the Company.

## DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

### (ii) Share option schemes (continued)

Details of movements during the year in the Company's share options which were granted on 24 July 2000 pursuant to the Old Share Option Scheme at an exercise price of HK\$0.528 per share are as follows:

Capacity	Name of directors	Number of share to be issued upon exercise of the share options			Exercisable period		
		Balance as at 1.1.2002	Lapsed during the year	Balance as at 31.12.2002	24.7.2000 to 23.7.2003	24.7.2001 to 23.7.2003	24.7.2002 to 23.7.2003
Director	Mr. Tong Shek Lun	1,532,000	–	1,532,000	612,800	459,600	459,600
Director	Mr. Li Ka Fai, Fred	1,100,000	–	1,100,000	440,000	330,000	330,000
Director	Ms. Ko Lai King, Kinny	764,000	–	764,000	305,600	229,200	229,200
Director	Ms. Chung Wai Yu, Regina	928,000	–	928,000	371,200	278,400	278,400
Ex-Director	Mr. Tam Lung Shor	696,000	(696,000)	–	–	–	–
Ex-Director	Mr. Wu Yong Yei	850,000	(850,000)	–	–	–	–
		<u>5,870,000</u>	<u>(1,546,000)</u>	<u>4,324,000</u>	<u>1,729,600</u>	<u>1,297,200</u>	<u>1,297,200</u>
Employees		<u>3,824,000</u>	<u>–</u>	<u>3,824,000</u>	<u>1,459,200</u>	<u>1,152,400</u>	<u>1,212,400</u>
		<u><u>9,694,000</u></u>	<u><u>(1,546,000)</u></u>	<u><u>8,148,000</u></u>	<u><u>3,188,800</u></u>	<u><u>2,449,600</u></u>	<u><u>2,509,600</u></u>

No options were granted or exercised during the year.

Pursuant to the annual general meeting held by the Company on 29 May 2002, the Old Share Option Scheme was terminated and a new share option scheme which complied with the amended rules of Chapter 17 of the Listing Rules (the "Share Option Scheme") was adopted. Except that no further options may be granted under the Old Share Option Scheme consequent upon its termination, all the other provisions of the Old Share Option Scheme will remain in force so as to give effect to the exercise of all outstanding options granted under the Old Share Option Scheme prior to 1 September 2001 and all such options will remain valid and exercisable in accordance with the terms of the Old Share Option Scheme.

No options were granted under the Share Option Scheme during the year.

Particulars of the Company's share option schemes are set out in Note 28 to the financial statements.

Other than the share option schemes disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that, other than the interest disclosed under the section headed "Directors' Interests in Securities" above, the following shareholder had an interest of 10% or more in the share capital of the Company:

Name	Number of shares	Approximate percentage
Perfect Treasure Investment Limited	88,100,000	16.0

Other than as disclosed above, the Company has not been notified of any interest representing 10% or more of the issued share capital of the Company as at 31 December 2002.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest and top five customers accounted for approximately 15% and 31% of the Group's total turnover, respectively. The Group's largest and top five suppliers accounted for approximately 10% and 31% of the Group's total purchases, respectively.

None of the directors, their associates or shareholders which to the knowledge of the directors owns more than 5% of the Company's issued share capital has any interest in any of the Group's five largest customers or suppliers.

## CONVERTIBLE SECURITIES, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, warrants or other similar rights as at 31 December 2002 and there has been no exercise of any convertible securities, warrants or similar rights during the year.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased certain of its own shares through the Stock Exchange, details of which are set out in Note 24 to the financial statements. The directors considered that the repurchases were made for the purpose of enhancing the net assets and earnings per share of the Company.

## 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.

## CORPORATE GOVERNANCE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year under review, in compliance with the Code of Best Practice as contained in Appendix 14 of the Listing Rules, except that the non-executive directors are not appointed for any specific term of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

## AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Tong Shek Lun**

*Chairman and Managing Director*

Hong Kong

16 April 2003