

The directors present their annual report and the audited financial statements of the Company and the Group for the year ended 30 September 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of the design, development, manufacture and sale of a wide range of (1) electronics and related components and parts (including principally quartz crystals, liquid crystal displays, printed circuit boards and watch movements) and (2) consumer electronic products (including principally electronic calculators, electronic watches and clocks and personal data assistants). They are also engaged in the trading of electronics and related components and parts particularly Russian-made integrated circuits.

There were no significant changes in the nature of the Company's and the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 September 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 66.

The directors recommend the payment of a final dividend of 1 cent per ordinary share in respect of the year, to shareholders on the register of members on 23 February 2004. 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.

SUMMARY OF 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 below. This summary does not form part of the audited financial statements.

	Year ended 30 September				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
RESULTS					
Turnover	<u>691,337</u>	<u>693,260</u>	<u>661,622</u>	<u>1,094,273</u>	<u>1,178,783</u>
Profit before tax	<u>21,937</u>	<u>33,789</u>	<u>8,044</u>	<u>107,807</u>	<u>297,207</u>
Tax	<u>(5,156)</u>	<u>(3,570)</u>	<u>(2,591)</u>	<u>(6,571)</u>	<u>(26,427)</u>
Net profit from ordinary activities attributable to shareholders	<u>16,781</u>	<u>30,219</u>	<u>5,453</u>	<u>101,236</u>	<u>270,780</u>
	As at 30 September				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets	<u>465,481</u>	<u>490,773</u>	<u>479,716</u>	<u>391,159</u>	<u>324,670</u>
Current assets	<u>614,352</u>	<u>622,379</u>	<u>620,766</u>	<u>726,806</u>	<u>636,058</u>
TOTAL ASSETS	<u>1,079,833</u>	<u>1,113,152</u>	<u>1,100,482</u>	<u>1,117,965</u>	<u>960,728</u>
Current liabilities	<u>212,884</u>	<u>241,135</u>	<u>293,069</u>	<u>251,560</u>	<u>254,156</u>
Non-current liabilities	<u>-</u>	<u>11,003</u>	<u>537</u>	<u>75,741</u>	<u>-</u>
TOTAL LIABILITIES	<u>212,884</u>	<u>252,138</u>	<u>293,606</u>	<u>327,301</u>	<u>254,156</u>
NET ASSETS	<u>866,949</u>	<u>861,014</u>	<u>806,876</u>	<u>790,664</u>	<u>706,572</u>

FIXED ASSETS AND INVESTMENT PROPERTY

Details of movements in the fixed assets and investment property of 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 26 and 27 to the financial statements.

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.

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.

SHARE PREMIUM ACCOUNT AND RESERVES

Details of movements in the share premium account and reserves of the Company and the Group during the year are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

As at 30 September 2003, the Company's reserves available for distribution and/or distribution in specie, comprising the contributed surplus account and retained profits, amounted to HK\$332,667,000. In accordance with the Bermuda Companies Act 1981 (as amended), the contributed surplus account may be distributed in certain circumstances. In addition, the Company's share premium account of HK\$177,325,000 as at 30 September 2003 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 29% of the Group's total sales for the year and sales to the Group's largest customer accounted for 9% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 23% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 9% of the Group's total purchases for the year.

As far as the directors are aware, none of the directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), or any 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 or suppliers.

DIRECTORS

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

Executive directors:

Ms. Wong King Ching, Helen (*Chairman*)

Ms. Wong Choi Kam (*Deputy chairman*)

Mr. Wong Choi Ping (*Deputy chairman*)

Mr. Leung Chi Fai

Ms. Wong King Man

Non-executive directors:

Mr. So Day Wing*

Mr. Wong Kim Seong

Mr. Wong Kun Kim*

* *Independent non-executive directors*

In accordance with clause 111 of the Company's bye-laws, Ms. Wong King Man and Mr. So Day Wing will retire 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 9 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Ms. Wong King Ching, Helen, Ms. Wong Choi Kam and Mr. Leung Chi Fai entered into service contracts with the Company for an initial term of three years commencing from 1 August 1999 which continues thereafter until terminated by not less than three months' notice in writing served by either party on the other. The Company has extended the service contracts with these executive directors until 31 July 2004.

Apart from the foregoing, 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.

The non-executive directors are subject to retirement by rotation in accordance with the Company's bye-laws.

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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2003, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Executive directors:				
Ms. Wong King Ching, Helen and Ms. Wong King Man	200,000	400,000,000 <i>(Note 1)</i>	400,200,000	39.4
Ms. Wong Choi Kam	–	100,000,000 <i>(Note 2)</i>	100,000,000	9.8
Mr. Wong Choi Ping	–	100,000,000 <i>(Note 3)</i>	100,000,000	9.8
Non-executive director:				
Mr. Wong Kim Seong	50,000,000	–	50,000,000	4.9
	<u>50,200,000</u>	<u>600,000,000</u>	<u>650,200,000</u>	<u>63.9</u>

Notes:

- 400,000,000 shares are beneficially owned by Farnell Profits Limited, the entire issued share capital of which was previously held by the late Mr. Wong Choi Fung ("Mr. Wong") and currently forms part of the estate of the late Mr. Wong. Ms. Wong King Ching, Helen and Ms. Wong King Man, directors of the Company, are beneficiaries of the said estate, whose interests in the shares of Farnell Profits Limited will not be ascertained until completion of the administration of estate of the late Mr. Wong. 200,000 shares are held and owned by Ms. Wong King Ching, Helen.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

2. These shares are held by Atworth Profits Limited, a company beneficially owned by Ms. Wong Choi Kam.
3. These shares are held by Notchino Investment Inc., a company beneficially owned by Mr. Wong Choi Ping.

The interests of the directors in the share options of the Company are separately disclosed in note 27 to the financial statements.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 27 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 directors or their respective spouse or minor children, 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 27 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

The directors have reviewed the connected transactions as defined under the Listing Rules, as set out in note 33 to the financial statements, and confirmed that such transactions were entered into in compliance with the following conditions:

- (i) The audit committee had reviewed the transactions and confirmed that:
 - (a) the transactions were entered into in the ordinary and usual course of business of the Group;
 - (b) the transactions were entered into on normal commercial terms (to the extent that there were comparable transactions), and (where applicable) in accordance with the terms of the agreements governing such transactions or (where there was no agreement) on terms no less favourable than those available to/from independent third parties;
 - (c) the transactions were entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
 - (d) the transactions do not exceed the limit set out in (iii)(d) below.
- (ii) Details of the transactions were set out in the Company's annual report and financial statements as set out in Rule 14.25(1)(A) to (D) of the Listing Rules;
- (iii) The auditors of the Company have reviewed the transactions and confirmed that:
 - (a) the transactions were approved by the directors;
 - (b) the transactions were entered into in accordance with the terms of the agreement relating to the transactions in question;
 - (c) the transactions were entered into in accordance with the pricing policies of the Group; and
 - (d) the aggregate consideration paid or received in respect of the transactions in the financial year reported on did not exceed 3% of the consolidated turnover of the Group as shown in its audited 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 financial year, except that the independent non-executive directors of the Company were not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company’s bye-laws.

AUDIT COMMITTEE

The Company’s Audit Committee was set up on 6 August 1999 with written terms of reference for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The members of the Audit Committee at the date of this report comprised Mr. Wong Kun Kim and Mr. So Day Wing, the two independent non-executive directors of the Company. The Group’s financial statements for the year ended 30 September 2003 have been reviewed by the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

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

Wong King Ching, Helen

Chairman

Hong Kong

20 January 2004