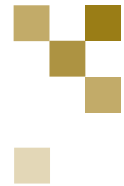




Report of the Directors



The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

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. 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 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 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.

	Year ended 31 December				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
RESULTS					
TURNOVER	722,782	741,077	544,174	659,807	601,609
PROFIT/(LOSS) AFTER FINANCE COSTS	2,808	60,560	28,462	36,943	(38,603)
Share of profits less losses of associates	1,727	5,797	–	–	–
PROFIT/(LOSS) BEFORE TAX	4,535	66,357	28,462	36,943	(38,603)
Tax	(1,778)	(4,675)	(3,079)	(5,424)	(6,265)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	2,757	61,682	25,383	31,519	(44,868)
Minority interests	8,941	1,165	5,734	976	(30)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11,698	62,847	31,117	32,495	(44,898)

Report of the Directors

Summary financial information (continued)

	As at 31 December				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
ASSETS, LIABILITIES AND MINORITY INTERESTS					
FIXED ASSETS	185,769	201,955	138,811	135,800	132,476
NEGATIVE GOODWILL	(40,346)	(58,671)	–	–	–
INTERESTS IN ASSOCIATES	35,581	30,894	–	–	42
PREPAID RENTAL	3,377	4,114	4,851	5,588	6,324
RENTAL DEPOSITS	388	972	517	397	–
DEFERRED PRODUCT DEVELOPMENT COSTS	4,783	4,195	4,459	4,131	3,684
CURRENT ASSETS	725,510	676,241	575,477	421,444	252,277
TOTAL ASSETS	915,062	859,700	724,115	567,360	394,803
CURRENT LIABILITIES	191,046	136,492	87,647	146,674	191,152
PROVISION FOR LONG SERVICE PAYMENTS	1,243	1,465	–	–	–
DEFERRED TAX LIABILITIES	1,433	1,433	1,433	1,433	600
TOTAL LIABILITIES	193,722	139,390	89,080	148,107	191,752
MINORITY INTERESTS	23,125	32,233	36,443	42,177	8,836
NET ASSETS	698,215	688,077	598,592	377,076	194,215

Fixed assets

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 12 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.

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 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

At 31 December 2003, 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\$402,771,000. 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 32% of the total sales for the year and sales to the largest customer included therein amounted to 10% of the total sales. Purchases from the Group's five largest suppliers accounted for 31% of the total purchases for the year and purchases from the largest supplier included therein amounted to 10% 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 of Hong Kong Limited (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*)
Ms. Louie Mei Po
Ms. Wong Shin Ling, Irene
Mr. Tam Wing Kin
Mr. Tam Ping Wah

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. Yau Tak Wah, Paul and Mr. Tam Wing Kin will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.



Report of the Directors



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 14 to 15 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. Upon termination, the service contracts have been renewed automatically for successive terms of three years subject to termination by either party giving not less than six months' notice in writing to the other.

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 and short positions in shares and underlying shares

At 31 December 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 Future 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 "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Director	Notes	Through controlled corporation	Percentage of the Company's issued share capital
Mr. Yau Tak Wah, Paul	1	14,847,400*	5.2
Mr. Tam Ping Wah	2	8,000*	–

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 number of shares were adjusted in accordance with the capital reorganisation which took effect on 30 June 2003. Further details are set out in note 26 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' rights to acquire shares

Save as disclosed in the share option scheme disclosures in note 27 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 minor children, 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, 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.

Substantial shareholders' and other persons' interests in shares and underlying shares

As at 31 December 2003, the following interest of 5% 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 336 of the SFO:

Name	Notes	Capacity and nature of interest	Number of Ordinary shares held	Percentage of the Company's issued share capital
Winspark Venture Limited	1	Directly beneficially owned	165,835,963*	58.0
Mr. Yau Tak Wah, Paul	2,3	Through a controlled corporation	14,847,400*	5.2

Notes:

1. The entire issued share capital of Winspark Venture Limited is beneficially owned by Mr. Chan Yuen Ming.
2. These shares were held through Pacific Shore Profits Limited, a company beneficially owned by Mr. Yau Tak Wah, Paul.
3. This shareholding is duplicated in the section headed "Directors' interests and short positions in shares and underlying shares" disclosed above.

* *The number of shares were adjusted in accordance with the capital reorganisation which took effect on 30 June 2003. Further details are set out in note 26 to the financial statements.*

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded under Section 336 of the SFO.



Report of the Directors



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.

Connected party transactions

Details of the connected party transactions are set out in note 32 to the financial statements.

Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 33 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. The Group's financial statements for the year ended 31 December 2003 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, and legal requirements and that adequate disclosures have been made.

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
26 April 2004