



REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the Company and the Group for the year ended 30 September 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise 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. During the year, the Group commenced trading of computer components and accessories.

Save for the above, there were no significant changes in the nature of the principal activities of the Company and the Group during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 September 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 76.

The directors recommend the payment of a final dividend of one cent per ordinary share in respect of the year, to shareholders on the register of members on 21 February 2005. 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.



REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated as appropriate, is set out below. The amounts for each year in the five-year financial summary have been adjusted for the effect of the retrospective change in accounting policy affecting the measurement, recognition and disclosures of deferred tax assets and liabilities, as detailed in note 2 to the financial statements. This summary does not form part of the audited financial statements.

RESULTS	Year ended 30 September				
	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)
Turnover	899,173	691,337	693,260	661,622	1,094,273
Profit before tax	43,651	21,937	33,789	8,044	107,807
Tax	(8,575)	(4,634)	(3,048)	(2,574)	(6,554)
Net profit from ordinary activities attributable to shareholders	35,076	17,303	30,741	5,470	101,253



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SUMMARY FINANCIAL INFORMATION *(continued)*

ASSETS AND LIABILITIES	As at 30 September				
	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)
Non-current assets	468,910	465,481	490,773	479,716	391,159
Current assets	598,570	614,352	622,379	620,766	726,806
TOTAL ASSETS	1,067,480	1,079,833	1,113,152	1,100,482	1,117,965
Current liabilities	176,039	212,884	241,135	293,069	251,560
Non-current liabilities	6,668	7,094	18,619	1,438	76,485
TOTAL LIABILITIES	182,707	219,978	259,754	294,507	328,045
NET ASSETS	884,773	859,855	853,398	805,975	789,920

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 the share capital and share options of the Company are set out in notes 27 and 28 to the financial statements, respectively.

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.



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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 30 September 2004, the Company's reserves available for distribution, comprising the contributed surplus and retained profits, amounted to HK\$315,542,000. In accordance with the Bermuda Companies Act 1981, the contributed surplus may be distributed in certain circumstances. In addition, the Company's share premium account of HK\$177,325,000 as at 30 September 2004 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 27% of the Group's total sales for the year and sales to the Group's largest customer accounted for 7% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 19% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 5% of the Group's total purchases for the year.

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.



REPORT OF THE DIRECTORS

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*)

Mr. Wong Choi Ping (*Deputy chairman*)

(Resigned on 31 May 2004)

Mr. Leung Chi Fai

Ms. Wong King Man (*Deputy chairman*)

Non-executive directors:

Mr. So Day Wing*

Mr. Wong Kim Seong

Mr. Wong Kun Kim*

Mr. Kuo Yen Ting*

(Appointed on 30 September 2004)

Ms. Wong Chun Ying

(Appointed on 30 September 2004)

Ms. Wong Choi Kam

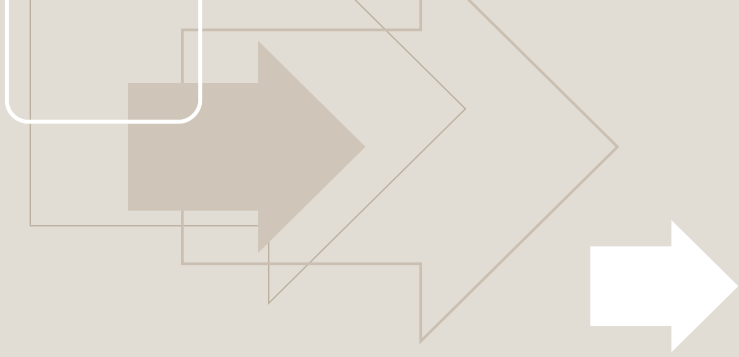
(Redesignated to become a non-executive director with effect from 31 May 2004)

* *Independent non-executive directors*

In accordance with clause 111 of the Company's bye-laws, Mr. Kuo Yen Ting, Ms. Wong Choi Kam and Ms. Wong Chun Ying 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 14 of the annual report.



REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Ms. Wong King Ching, Helen 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 directors until 31 July 2005.

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.



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2004, 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	
<i>Executive directors:</i>				
Ms. Wong King Ching, Helen and Ms. Wong King Man	200,000	400,000,000 (Note 1)	400,200,000	39.4
<i>Non-executive directors:</i>				
Mr. Wong Kim Seong	50,000,000	–	50,000,000	4.9
Ms. Wong Choi Kam	–	100,000,000 (Note 2)	100,000,000	9.8
Mr. Kuo Yen Ting	4,452,000	–	4,452,000	0.4
	54,652,000	500,000,000	554,652,000	54.5



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

Notes:

1. 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 directly held and owned by Ms. Wong King Ching, Helen.
2. These shares are held by Atworth Profits Limited, a company beneficially owned by Ms. Wong Choi Kam.

The interests of the directors in the share options of the Company are separately disclosed in note 28 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 28 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.

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.



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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 or 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 14A.45(1) to (5) of the Listing Rules;
- (iii) The auditors of the Company have reviewed the transactions and confirmed that:
 - (a) the transactions were approved by the board of directors;
 - (b) the transactions were entered into in accordance with the terms of the agreements 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.



REPORT OF THE DIRECTORS

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 accounting period covered by the annual report, 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 in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company's audit committee was established on 6 August 1999 in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. Members of the audit committee at the date of this report comprised Mr. Wong Kun Kim, Mr. So Day Wing and Mr. Kuo Yen Ting, the three independent non-executive directors of the Company. The Group's financial statements for the year ended 30 September 2004 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, 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

24 January 2005