

# 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 30 June 2001.

## PRINCIPAL ACTIVITIES

► The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 12 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

## SEGMENTAL INFORMATION

► An analysis of the Group's turnover and contribution to profit before tax by principal activity and geographical area of operations for the year ended 30 June 2001 is as follows:

	Turnover		Contribution to profit before tax	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Manufacture and trading of CRT computer monitors	2,827,009	3,646,349	5,968	120,417
Manufacture and trading of LCD monitors	229,845	93,333	5,019	4,579
Manufacture and trading of computer monitor components and parts	643,712	451,252	(446)	6,149
	3,700,566	4,190,934	10,541	131,145
By geographical area of operations:				
North America	1,298,255	1,573,246	6,489	59,315
Western Europe	754,593	1,190,100	3,715	41,441
Asia	1,460,332	1,281,873	8,811	27,250
Other	187,386	145,715	(8,474)	3,139
	3,700,566	4,190,934	10,541	131,145

# Report of the Directors

## RESULTS AND DIVIDENDS

► The Group's profit for the year ended 30 June 2001 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 56.

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

## SUMMARY FINANCIAL INFORMATION

► The following is a summary of the consolidated results and assets and liabilities of the Group for the last five financial years extracted from the published audited financial statements, are summarised below.

### RESULTS

	2001 HK\$'000	Year ended 30 June			
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Turnover	3,700,566	4,190,934	2,958,672	2,217,895	1,765,092
Profit before tax	10,541	131,145	128,795	77,572	100,912
Tax	(7,317)	(9,436)	(8,678)	(4,283)	(8,986)
Profit before minority interests	3,224	121,709	120,117	73,289	91,926
Minority interests	(587)	(3)	–	71	141
Net profit from ordinary activities attributable to shareholders	2,637	121,706	120,117	73,360	92,067

# Report of the Directors

## ASSETS AND LIABILITIES

	As at 30 June				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Fixed assets	436,063	420,253	300,046	296,749	177,127
Long term investments	69,231	82,012	3,767	-	-
Other non-current assets	-	11,715	3,772	-	-
Current assets	1,406,057	1,415,947	1,029,771	672,518	611,545
Total assets	1,911,351	1,929,927	1,337,356	969,267	788,672
Current liabilities	(1,059,864)	(1,076,240)	(766,552)	(561,228)	(416,893)
Long term liabilities	(202,902)	(197,153)	(41,007)	(53,250)	(61,968)
Total liabilities	(1,262,766)	(1,273,393)	(807,559)	(614,478)	(478,861)
	648,585	656,534	529,797	354,789	309,811
Minority interests	(2,334)	(4,397)	(4,394)	(4,394)	(13,265)
Net assets	646,251	652,137	525,403	350,395	296,546

Note: The results for the year ended 30 June 1997 have been reclassified to conform with the requirements of Statement of Standard Accounting Practice ("SSAP") No. 2 "Net Profit or Loss For the Period, Fundamental Errors and Changes in Accounting Policies". The principal impact of the revised SSAP 2 on the presentation of this summary is that exceptional items are no longer referred to as such and disclosed as such on the face of the profit and loss account.

## MAJOR CUSTOMERS AND SUPPLIERS

► In the year under review, sales to the Group's five largest customers accounted for 46.3% of the total sales for the year and sales to the largest customer included therein amounted to 14.3%.

Purchases from the Group's five largest suppliers accounted for 65.1% of the total purchases for the year and purchases from the largest supplier included therein amounted to 43.1%.

# Report of the Directors

As far as the directors are aware, neither the directors, their associates, nor any shareholders which to the knowledge of the directors who own more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest customers or five largest suppliers.

## PENSION SCHEME

► Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 1, 4 and 5, respectively, to the financial statements.

## FIXED ASSETS

► Details of movements in the fixed assets of the Group are set out in note 11 to the financial statements.

## SUBSIDIARIES

► Particulars of the Company's principal subsidiaries are set out in note 12 to the financial statements.

## BORROWINGS

► Details of the borrowings of the Group at 30 June 2001 are set out in notes 19, 20, 21 and 22 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 note 23 to the financial statements.

## RESERVES

► Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements.

## DISTRIBUTABLE RESERVES

► At 30 June 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$169,691,000. In accordance with the Companies Act 1981 of Bermuda, the contributed surplus may be distributed under certain circumstances. In addition, the Company's share premium account of HK\$160,458,000 as at 30 June 2001 may be distributed in the form of fully paid bonus shares.

# Report of the Directors

## DIRECTORS

► The directors of the Company during the year and at the balance sheet date were:

### Executive directors

Mr. Yang Long-san, Rowell

Mr. Wong Kui-ming, Luffer

Ms. Hui Siu-ling, Elina

Mr. Lai Chen-chu, Jack

(appointed on 26 April 2001)

Mr. Chang Su-pong, Steve

(appointed on 26 April 2001)

### Non-executive directors

Mr. Wu Yaw-min

Mr. Yip Ka-kay, Kevin

### Independent non-executive directors

Mr. Lee Chiu-kang, Alex

Mr. Chan Mo-po, Paul

In accordance with the Company's bye-law 111 and 115, Mr. Lai Chen-chu, Jack, Mr. Chang Su-pong, Steve and Mr. Chan Mo-po, Paul will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' REMUNERATION AND THE SIX HIGHEST PAID EMPLOYEES

► Details of the directors' remuneration and that of six highest paid employees during the year ended 30 June 2001 are set out in note 5 to the financial statements.

## DIRECTORS' SERVICE CONTRACTS

► All the executive directors entered into service contracts with the Company for terms of three years commencing from 1 June 1997. Subsequent to 31 May 2000, the service contracts are renewable automatically for successive terms of one year, subject to their termination by either party giving not less than six months' notice in writing to the other party.

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 other than statutory compensation.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

► Under the terms of the share option scheme (the "Scheme") adopted by the Company on 26 May 1997, the board of directors of the Company may, at their absolute discretion, grant options to employees and directors of the Group to subscribe for shares in the Company. Details of the Scheme are set out in note 23 to the financial statements.

# Report of the Directors

Details of movements in the share options granted to certain directors during the year and the balances that remained outstanding as at 30 June 2001 are as follows:

Directors	At beginning of year	Number of share options		Exercise period	Exercise price HK\$
		Granted/ (exercised) during the year	As at 30 June 2001		
Mr. Yang Long-san, Rowell	2,500,000	–	2,500,000	1 January 2000 – 31 December 2004	1.20
	2,500,000	–	2,500,000	1 January 2001 – 31 December 2005	1.20
Mr. Lai Chen-chu, Jack	875,000	–	875,000	1 January 2000 – 31 December 2004	1.20
	875,000	–	875,000	1 January 2001 – 31 December 2005	1.20
Mr. Chang Su-pong, Steve	250,000	–	250,000	1 January 2000 – 31 December 2004	1.20
	250,000	–	250,000	1 January 2001 – 31 December 2005	1.20
Mr. Wong Kui-ming, Luffer	500,000	–	500,000	1 January 2000 – 31 December 2004	1.20
	500,000	–	500,000	1 January 2001 – 31 December 2005	1.20
Ms. Hui Siu-ling, Elina	250,000	–	250,000	1 January 2000 – 31 December 2004	1.20
	250,000	–	250,000	1 January 2001 – 31 December 2005	1.20
Mr. Lee Chiu-kang, Alex	150,000	–	150,000	1 January 2000 – 31 December 2004	1.20
	150,000	–	150,000	1 January 2001 – 31 December 2005	1.20

# Report of the Directors

Directors	At beginning of year	Number of share options Granted/ (exercised) during the year		As at 30 June 2001	Exercise period	Exercise price HK\$
Mr. Chan Mo-po, Paul	75,000	-		75,000	1 January 2001 – 31 December 2005	1.20
	9,125,000	-		9,125,000		

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries and fellow 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 SHARE CAPITAL

► At 30 June 2001, the interests of the directors and their associates in the share capital of the Company and the shares of its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") are set out below:

Directors	Number of issued ordinary shares of HK\$0.10 each in the Company			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Yang Long-san, Rowell (note)	-	-	278,710,724	-
Mr. Chang Su-pong, Steve	1,170,000	-	-	-
Mr. Wong Kui-ming, Luffer	400,000	-	-	-
Mr. Chan Mo-po, Paul	75,000	606,896	-	-

Note: Out of the interest, 224,710,724 shares are held through Peipus International Ltd., a company incorporated in the British Virgin Islands and wholly owned by Mr. Yang Long-san, Rowell. In addition, Mr. Yang Long-san, Rowell is also deemed to be interested in the 54,000,000 shares held by Pointbest Limited pursuant to Section 9 of the SDI Ordinance.

# Report of the Directors

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

## DIRECTORS' INTERESTS IN CONTRACTS

► Save as disclosed in note 2 to the financial statements, no director had a beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries and fellow subsidiaries was a party at the balance sheet date or during the year.

## BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

► **Mr. YANG Long-san, Rowell**, aged 45, is the Chairman and Managing Director of the Company. He is the founder of the Group and has over 20 years' experience in the computer and electronics industry. He is responsible for the Group's overall strategic planning, policy making and finance.

**Mr. LAI Chen-chu, Jack**, aged 46, joined the Group in April 1999. He holds a master's degree in Law from 東吳大學 (Soochow University) of Taiwan. He has over 12 years' experience in law and business administration. He was a former Judge of 台灣板橋地方法院 (the district court of Pan-Chiao City, Taiwan), and was employed as an attorney in a business litigation law firm for several years. Mr. Lai is responsible for the strategic planning, legal and financial management of the Group.

**Mr. CHANG Su-pong, Steve**, aged 47, joined the Group in March 1991. He holds a diploma in 電子工程 (Electronic Engineering) from 國立台北工業專科學校 (National Taipei Institute of Technology) of Taiwan. He has over 19 years' experience in the computer monitor industry. Mr. Chang is responsible for the operation management of the Group.

**Mr. WONG Kui-ming, Luffer**, aged 40, joined the Group in April 1994. Mr. Wong holds a bachelor of science degree in 電機工程 (Electrical Engineering) from 國立台灣大學 (National Taiwan University) of Taiwan. He also obtained his master's degree in Business Administration from the University of Leicester in the United Kingdom. Mr. Wong is responsible for the corporate relationship management of the Group and has over 14 years' experience in the computer industry.

**Ms. HUI Siu-ling, Elina**, aged 43, joined the Group in May 1994. Ms. Hui is responsible for the administration of the Group.



# Report of the Directors

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LEE Chiu-kang, Alex**, aged 51, has been in the asset management business, both in Canada and Hong Kong, for over 19 years. He has worked as the head of investment operations for four major financial institutions. For each of his previous employers, he was responsible for recruiting, training and supervising staff. Mr. Lee holds a bachelor of arts degree in Economics from the Golden Gate University of the United States of America.

**Mr. CHAN Mo-po, Paul**, aged 46, is a graduate of The Chinese University of Hong Kong where he obtained both his bachelor's and master's degrees in Business Administration. He is a fellow member of the Association of Chartered Certified Accountants; the Hong Kong Society of Accountants; the Institute of Chartered Secretaries and Administrators; the Taxation Institute of Hong Kong; the Society of Chinese Accountants and Auditors; and the Macau Society of Certified Practising Accountants. He has over 21 years' experience in the accounting and finance field and is the managing partner of Paul Chan & Partners. He is currently a Council member of the Hong Kong Society of Accountants. He is a former Chairman of the Association of Chartered Certified Accountants - Hong Kong Branch and a former Council member of the Association of Chartered Certified Accountants in the United Kingdom. He also serves on the Finance Committee of the Hong Kong Housing Authority and the Transport Advisory Committee. He is also a panel member of the Board of Review (Inland Revenue) and the Appeals Board (Education).

## NON-EXECUTIVE DIRECTORS

**Mr. Wu Yaw-min**, aged 49, is a director of Great Pacific Investments Limited, a wholly-owned subsidiary of Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"). He joined Yue Yuen in June 1997 and is responsible for certain investment activities of Yue Yuen. Mr. Wu graduated from 國立台灣大學 (National Taiwan University) of Taiwan and holds a bachelor of science degree in Mechanical Engineering. Before joining Yue Yuen, Mr. Wu had served in a managerial position in Formosa Plastic Corporation in Taiwan for more than 11 years.

**Mr. Yip Ka-kay, Kevin**, aged 37, is an executive director of GEMS (HK) Ltd. He has over 14 years of investment banking and direct investment experience in the United States of America and Hong Kong. He was previously Vice President of JP Morgan International Capital Corporation. He is currently serving as the Secretary of the Hong Kong Venture Capital Association and is a member of the Association's Executive Committee. He holds an A. B. degree in Economics from Harvard University.

## COMPANY SECRETARY

**Mr. Wong Hau-man, Ben**, aged 31, graduated from The Chinese University of Hong Kong, with a bachelor's degree in Physics and a master's degree in Economics. He is an associate member of both the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants. Mr. Wong joined the Group in August 2000.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS

► At 30 June 2001, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company under Section 16(1) of the SDI Ordinance:

Name of shareholder	Notes	Number of issued ordinary shares held	Percentage of total issued ordinary shares
Pointbest Limited	(a)	278,710,724	43.86%
Lippo Cayman Limited	(a)	278,710,724	43.86%
Lanius Limited	(a)	278,710,724	43.86%
Peipus International Ltd.	(b)	224,710,724	35.36%
Great Pacific Investments Limited	(c)	155,926,436	24.54%
Yue Yuen Industrial (Holdings) Limited	(c)	155,926,436	24.54%
Pou Chen Corporation	(c)	155,926,436	24.54%

### Notes:

- (a) Out of the interest, 54,000,000 shares are held by Pointbest Limited. In addition, Pointbest Limited is also deemed to be interested in the 224,710,724 shares pursuant to Sections 9 and 10 of the SDI Ordinance.

The interest of Pointbest Limited stated above was included as the interest of each of Lippo Cayman Limited and Lanius Limited by virtue of their relationship.

- (b) The beneficial owner of the 224,710,724 ordinary shares held by Peipus International Ltd. is set out in the section "Directors' interests in share capital" above.

- (c) The interest of Great Pacific Investments Limited stated above was included as the interest of each of Yue Yuen Industrial (Holdings) Limited ("Yue Yuen") and Pou Chen Corporation by virtue of their relationship. Yue Yuen is a company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited.

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

## 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 TRANSACTIONS

► In the opinion of the board of directors, including the independent non-executive directors, of the Company, the transactions during the year with Isystems Technology, Inc. ("Isystems") (formerly "Mirage Technology, Inc."), a company of which Messrs. Yang Long-san, Rowell and Yang Yun-tsai (father of Mr. Yang Long-san, Rowell) own 19.4% and 16.8% of the issued share capital, respectively, were:

- (i) conducted in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) fair and reasonable so far as the shareholders of the Company are concerned.

During the year, the Group paid operating lease rentals in respect of land and buildings and machinery of approximately HK\$1,438,000 to Isystems.

## PRE-EMPTIVE RIGHTS

► There are no provisions for pre-emptive rights under the Company's bye-laws, or the Companies Act 1981 of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## CODE OF BEST PRACTICE

► In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by this annual report, save that the non-executive directors are not appointed for a specific term, but are subject to retirement by rotation in accordance with the Company's bye-laws.

## DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

► In accordance with Practice Note 19 of the Listing Rules, the Group hereby discloses that the Group had a trading receivable from a customer, namely Dongguan Huaguan Electronics Co., Ltd. ("DHEC"), of approximately HK\$209 million at 30 June 2001, which was unsecured and interest free. The receivable arose from sales made during the year. The amount due exceeded 25% of the Group's net assets as at 30 June 2001. Up to the date of this report, 65% of the receivable from DHEC had been settled.

# Report of the Directors

## AUDIT COMMITTEE

► To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company set up an Audit Committee (the "Committee") in 1998, with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Committee comprises the Company's two independent non-executive directors. The Group's financial statements for the year ended 30 June 2001 have been reviewed by the Committee who are of the opinion that such financial statements comply with the applicable accounting standards, and the Stock Exchange 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

**Yang Long-san, Rowell**

Chairman

Hong Kong

23 October 2001