

# Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of liquid crystal display products, electronic consumer products including calculators and pagers and electronic components.

## RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 18.

An interim dividend of 4 HK cents per share, amounting to HK\$17,392,000, was paid to the shareholders of the Company in October 2001.

The directors now recommend the payment of a final dividend of 4 HK cents per share to the shareholders of the Company whose names appear on the register of members on 17 May 2002, amounting to HK\$17,770,000, and the retention of the remaining profit for the year.

## SHARE CAPITAL

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

## RESERVES

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

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of the Company's Articles of Association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

In accordance with the Company's Articles of Association, the Company's total reserves available for distribution to shareholders as at 31 December 2001 are HK\$269,981,000, comprising the special reserve of HK\$17,409,000 and retained profits of HK\$2,284,000 and share premium of HK\$250,288,000.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired plant and machinery amounting to approximately HK\$69,634,000 and properties under development amounting of approximately HK\$14,713,000 for the purpose of expanding its manufacturing capacity in Shan Wei City, Guangdong Province in the People's Republic of China.

# Directors' Report

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

## DIRECTORS

The directors during the year and up to the date of this report are as follows:

### Executive directors:

Lam Wai Wah, Steven  
Wong Pong Chun, James  
Cheung Tat Sang, James

### Non-executive director:

Chung Kam Kwong

### Independent non-executive directors:

Ip Cho Ting, Spencer  
Heung Kai Sing

In accordance with Articles 100 and 120 of the Company's Articles of Association, Lam Wai Wah, Steven and Ip Cho Ting, Spencer retire and, being eligible, offer themselves for re-election.

The non-executive director and independent non-executive directors are subject to retirement by rotation in accordance with the above articles.

No director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## 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 or indirectly, subsisted at the end of the year or at any time during the year.

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## irectors' Report

### DIRECTORS' INTERESTS IN SHARES

At 31 December 2001, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Personal interests Number of shares
Lam Wai Wah, Steven	206,988,000
Wong Pong Chun, James	4,462,000
Cheung Tat Sang, James	700,000

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Company or its subsidiaries, at 31 December 2001, none of the directors or any of their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

### SHARE OPTION SCHEME

The Company has a share option scheme under which the directors and employees of the Company and any of its subsidiaries may be granted options to subscribe for shares in the Company.

The Company's share option scheme adopted on 8 July 1991 expired during the year and a new share option scheme was adopted on 22 May 2001.

A summary of the movements of options granted during the year is as follows:

Name	Exercisable period	Exercise price HK\$	Date of grant	Outstanding at beginning of year	Granted during year	Exercised during year	Lapsed during year	Outstanding at end of year
Lam Wai Wah, Steven	23 October 1996 to 23 October 2001	1.680	23.7.1996	5,000,000	—	(5,000,000)	—	—
	6 April 2001 to 10 July 2001	2.412	5.1.2001	—	4,900,000	—	(4,900,000)	—
	17 July 2001 to 22 May 2011	2.196	16.7.2001	—	6,900,000	—	—	6,900,000
Wong Pong Chun, James	23 October 1996 to 23 October 2001	1.680	23.7.1996	4,250,000	—	(4,250,000)	—	—
	26 October 1999 to 10 July 2001	1.864	26.7.1999	750,000	—	—	(750,000)	—
	6 April 2001 to 10 July 2001	2.412	5.1.2001	—	4,900,000	—	(4,900,000)	—
	17 July 2001 to 22 May 2011	2.196	16.7.2001	—	6,900,000	—	—	6,900,000
Cheung Tat Sang, James	23 October 1996 to 23 October 2001	1.680	23.7.1996	700,000	—	(700,000)	—	—
	26 October 1999 to 10 July 2001	1.864	26.7.1999	3,025,000	—	—	(3,025,000)	—
	6 April 2001 to 10 July 2001	2.412	5.1.2001	—	4,900,000	—	(4,900,000)	—
	17 July 2001 to 22 May 2011	2.196	16.7.2001	—	6,900,000	—	—	6,900,000
Others	23 October 1996 to 23 October 2001	1.680	23.7.1996	3,610,000	—	(810,000)	(2,800,000)	—
	26 October 1999 to 10 July 2001	1.864	26.7.1999	4,225,000	—	—	(4,225,000)	—
	6 April 2001 to 10 July 2001	2.412	5.1.2001	—	5,300,000	—	(5,300,000)	—
	17 July 2001 to 22 May 2011	2.196	16.7.2001	—	7,300,000	—	—	7,300,000

No consideration was received for the share options during the year.

# Directors' Report

In accordance with the Company's Share Option Scheme (the "old Scheme"), which was adopted pursuant to an ordinary resolution passed on 11 July 1991, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. Pursuant to an extraordinary resolution passed on 22 May 2001, the old scheme was terminated and a new Share Option Scheme (the "Scheme") was adopted.

## Summary of the Scheme

1. The purpose of the Scheme is to motivate employees of the Company or any subsidiary and to allow them to participate in the growth of the Company.
2. Participants of the Scheme include any person the Board may select to be offered an option, subject to compliance with applicable laws, including, without limitation, any full-time employee of the Company or any subsidiary and any executive director of the Company or any subsidiary.
3. The maximum number of shares of HK\$0.10 each of the Company (the "shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme, when aggregated with any number of shares subject to any other schemes, will be such number of Shares as shall represent 10% of the issued share capital of the Company on the date of the offer of grant of such Option.
4. No option may be granted to any one Participant under the Scheme which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted and to be granted to him which are for the time being subsisting and unexercised would exceed 25% of the aggregate number of Shares for the time being issued and issuable under the Scheme.
5. Any participant who accepts an offer of the grant of an option in accordance with the terms of the Scheme shall pay to the Company HK\$1.00 by way of consideration for the grant thereof within a period of 30 days from the date on which an option is offered to the participant.
6. The option price, the price per Share payable on the exercise of an Option as determined by the Directors provided always that it shall be no less than the greater of (a) an amount equal to 80% of the average closing price of one Share as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of such Option and (b) the nominal amount of one Share.
7. The Scheme has a life of 10 years and will expire on 22 May 2011.
8. Value of the share options granted during the year is not disclosed as in the directors opinion, no accurate value can be obtained under the existing pricing model.

# Directors' Report

## ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme 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 debenture of, the Company or any other body corporate, and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company as at 31 December 2001, or had exercised any such right during the year.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company has not been notified of any interest representing 10% or more of the issued share capital of the Company.

## PRE-EMPTIVE RIGHTS

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

## PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2001 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.

## DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$5,122,000.

## AUDITORS

A resolution will be submitted to the Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board

**LAM WAI WAH, STEVEN**

*CHAIRMAN*

Hong Kong, 12 April 2002