

The directors present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are the manufacture and sale of electronic components, including double-sided and multi-layered printed circuit boards, liquid crystal displays and magnetic products, and the provision of information technology consultancy and software development services. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 30 June 2002 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 29 to 72.

An interim dividend of 1.0 Hong Kong cent per ordinary share was paid on 22 March 2002.

The directors recommend the payment of a final dividend of 1.5 Hong Kong cents per ordinary share in respect of the year to shareholders whose names appear on the registers of members on 12 November 2002. This recommendation has been incorporated in the financial statements as an allocation of retained profits within capital and reserves in the balance sheet. Further details of this accounting treatment are set out in note 11 to the financial statements.

SUMMARY OF 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 audited financial statements and restated as appropriate, is set out on page 5. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 13 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, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed 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 24 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2002, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$425,094,000. In addition, the Company's share premium account, in the amount of HK\$36,444,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$5,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 41% of the total sales for the year and sales to the largest customer included therein amounted to 15%. Purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

None of the directors of the Company or any of their associates 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.

DIRECTORS

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

Executive directors:

David SO Cheung Sing
Marcus TSANG Ming Pui
Wilson TAM Kam Ho
Johnny NG Ho Kin
Canice CHUNG Tai Keung

Independent non-executive directors:

Peter LEE Yip Wah
Eugene LEE

In accordance with the Company's bye-law 107(A), Mr Canice CHUNG Tai Keung will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

BRIEF BIOGRAPHICAL INFORMATION OF DIRECTORS

Directors

David SO Cheung Sing

David SO Cheung Sing, aged 60, is one of the founders of the Elec & Eltek Group which was established in 1972. In his capacity as the Chairman and Chief Managing Director, he is responsible for leading the management in setting the Group's mission and objectives, and developing business and management strategies for all the businesses of the Group.

Mr SO is also a director of Elec & Eltek Investments Limited which is a substantial shareholder of the Company.

Marcus TSANG Ming Pui

Marcus TSANG Ming Pui, aged 62, is also one of the founders of the Elec & Eltek Group and is the Deputy Chairman and Managing Director. Together with other board members, he is also responsible for setting the Group's mission and objectives, and developing business and management strategies.

Mr TSANG is also a director of Elec & Eltek Investments Limited which is a substantial shareholder of the Company.

Wilson TAM Kam Ho

Wilson TAM Kam Ho, aged 60, is also one of the founders of the Elec & Eltek Group and is the Deputy Chairman and Managing Director. Together with other board members, he is also responsible for setting the Group's mission and objectives, and developing business and management strategies.

Mr TAM is also a director of Elec & Eltek Investments Limited which is a substantial shareholder of the Company.

Johnny NG Ho Kin

Johnny NG Ho Kin, aged 55, joined the Elec & Eltek Group in 1972. He is an Executive Director of the Company and the Senior Vice President - Corporate Control and Audit of the printed circuit board business. Together with other board members, he is also responsible for setting the Group's mission and objectives, and developing business and management strategies.

Mr NG is also a director of Elec & Eltek Investments Limited which is a substantial shareholder of the Company.

Canice CHUNG Tai Keung

Canice CHUNG Tai Keung, aged 47, joined the Elec & Eltek Group in 1991. In his capacity as an Executive Director of the Company and the Chief Executive Officer of the printed circuit board business, he is responsible for the financial and administrative functions of the Group as well as the overall operations of the printed circuit board business. Together with other board members, he is also responsible for setting the Group's mission and objectives, and developing business and management strategies.

Mr CHUNG is also a director of Elec & Eltek Investments Limited which is a substantial shareholder of the Company.

BRIEF BIOGRAPHICAL INFORMATION OF DIRECTORS (continued)

Directors (continued)

Peter LEE Yip Wah

Peter LEE Yip Wah, aged 60, has been an Independent Non-executive Director of the Company since 1 April 1997 and was re-appointed by the board on 1 April 2001. Mr LEE is a practising solicitor and a partner of Messrs Woo, Kwan, Lee & Lo and is a China-appointed attesting officer. He is also a non-executive director of a number of listed companies in Hong Kong including China Merchants Holdings (International) Company Limited and Cosco Pacific Limited.

Eugene LEE

Eugene LEE, aged 53, has been an Independent Non-executive Director of the Company since 13 May 1997 and was re-appointed by the board on 13 May 2001. Mr LEE has been engaged in merchant banking, finance and securities in Asia, Europe and the United States of America for over 20 years.

The biographical information of the Group's senior management is not shown because the directors consider that this would result in particulars of excessive length.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has a service contract with Elec & Eltek Corporate Services Limited, a wholly-owned subsidiary of the Company. Each of the service contracts will continue in force until terminated by not less than six months' written notice by either party.

Independent non-executive directors are appointed by the Company for a renewable fixed term of two years which can be terminated by either party in accordance with the bye-laws of the Company.

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' INTERESTS IN CONTRACTS

During the year, Elec & Eltek Corporate Services Limited, a wholly-owned subsidiary of the Company, received management fees of HK\$150,000 from each of Elec & Eltek Holding Company Limited and Elec & Eltek Investments Limited, companies in which Messrs David SO Cheung Sing, Marcus TSANG Ming Pui, Wilson TAM Kam Ho and Johnny NG Ho Kin had direct or indirect beneficial interests at the balance sheet date.

Except as disclosed above, none of the directors had beneficial interests in any material contract to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At the balance sheet date, the directors had the following beneficial interests in the share capital of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"):

Name of director	Number of ordinary shares of HK\$0.10 each in the Company		
	Personal	Family	Total
David SO Cheung Sing	—	1,636,800	1,636,800
Marcus TSANG Ming Pui	22,632,775	—	22,632,775
Wilson TAM Kam Ho	7,200,000	—	7,200,000
Johnny NG Ho Kin	13,878,104	415,800	14,293,904

At the balance sheet date, certain of the Company's directors also held shares in Elec & Eltek International Company Limited ("EEICL"), a subsidiary of the Company which is listed on the Singapore Exchange Securities Trading Limited, as follows:

Name of director	Number of ordinary shares of S\$0.80 each in EEICL		
	Personal	Family	Total
Marcus TSANG Ming Pui	—	540,000	540,000
Wilson TAM Kam Ho	—	300,000	300,000
Johnny NG Ho Kin	386,400	—	386,400
Canice CHUNG Tai Keung	1,564,800	—	1,564,800

At the balance sheet date, Elec & Eltek Investments Limited had beneficial interests in 521,921,359 shares in the Company. The shareholders of Elec & Eltek Investments Limited are as follows:

Name of shareholder	Percentage shareholding in Elec & Eltek Investments Limited
Plenty Gain Limited	30.97%
Champion Oriental Inc.	29.98%
Goldful Holdings Limited	29.98%
Expert Gold Inc.	9.07%
	100%

Plenty Gain Limited is ultimately 100% owned by a discretionary trust, the eligible beneficiaries of which include the family members of Mr David SO Cheung Sing, other than Mr David SO Cheung Sing himself.

Champion Oriental Inc. holds the shares of Elec & Eltek Investments Limited as trustee for a unit trust, of which 99.9999948% of the units are owned by a discretionary trust, the eligible beneficiaries of which include the family members of Mr Marcus TSANG Ming Pui, other than Mr Marcus TSANG Ming Pui himself, with the remaining units being owned by Mr Marcus TSANG Ming Pui directly.

DIRECTORS' INTERESTS IN SHARE CAPITAL (continued)

Goldful Holdings Limited is ultimately 100% owned by a discretionary trust, the eligible beneficiaries of which include the family members of Mr Wilson TAM Kam Ho, other than Mr Wilson TAM Kam Ho himself.

Expert Gold Inc. holds the shares of Elec & Eltek Investments Limited as trustee for a unit trust, of which 99.99998% of the units are owned by a discretionary trust, the eligible beneficiaries of which include the family members of Mr. Johnny NG Ho Kin, other than Mr. Johnny NG Ho Kin himself.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

(A) Directors' Interests in Share Options of the Company

During the year, no share options to subscribe for shares in the capital of the Company have been granted to any directors of the Company and none of them held any outstanding share options at the balance sheet date.

(B) Directors' Interests in Share Options of EEICL

At the balance sheet date, certain of the Company's directors held share options of EEICL and particulars of those to be amounted outstanding share options granted under the Previous EEICL Scheme as defined hereinbelow were as follows:

Name of director	Date of grant	Exercise period	Number of outstanding share options		Subscription price US\$
			At beginning of year	At end of year	
Johnny NG Ho Kin	9 April 1998	10 April 1999 to 8 April 2003	120,000	120,000	4.833
	19 April 1999	20 April 2000 to 18 April 2004	120,000	120,000	3.100
			240,000	240,000	
Canice CHUNG Tai Keung	9 April 1998	10 April 1999 to 8 April 2003	135,600	135,600	4.833
	19 April 1999	20 April 2000 to 18 April 2004	156,000	156,000	3.100
			291,600	291,600	
			531,600	531,600	

Except as disclosed above, 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 children under 18 years of age, or were any such rights exercised by them; nor 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

As at 30 June 2002, the following interests of 10% or more in the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage holding
Elec & Eltek Investments Limited	521,921,359	44.42%
Kingboard Chemical Holdings Limited	176,759,000	15.04%

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded in the register maintained pursuant to Section 16(1) of the SDI Ordinance.

AUDIT COMMITTEE

Pursuant to the terms of reference of the Company's audit committee, which was set up on 30 June 1999, meetings were held on 22 February 2002 to review the interim financial statements of the Group and on 14 September 2002 to review the financial statements of the Group for the financial year ended 30 June 2002.

SHARE OPTION SCHEME

A. Employees' share option scheme of the Company

On 29 October 2001, the Company adopted the existing employees' share option scheme (the "Scheme") under which the directors may, at their discretion, at any time during a period of 5 years from the date of adoption offer options to full-time employees, executive directors and non-executive directors of the Company or any of its subsidiaries or associated companies to subscribe for the shares of the Company according to the terms of the Scheme. The Scheme is implemented for the purpose of attracting, retaining and motivating talented employees to strive towards long term performance targets set by the Company and the Group.

Pursuant to the Scheme, the maximum number of shares upon which options may be granted when aggregated with those granted under any other share option scheme of the Company in issue shall not exceed 117,506,240 shares, representing 10% of the issued share capital of the Company as at 30 June 2002. The maximum entitlement for any one participant that the shares issued and issuable upon exercise of options granted in any 12 month period shall not exceed 1% of the Company's share capital in issue.

The subscription price for a share in respect of an option shall be determined by the directors at their absolute discretion and shall be the highest of (i) the closing price of the shares as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited on the date of offer; (ii) the average of the closing prices of the shares as stated in the above daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share.

The exercise period of an option shall be determined and notified by the directors to each grantee and in any event shall commence not earlier than 6 months and expire not later than 10 years from the date of grant of that option. The option may be accepted within 28 days from the date of offer upon payment of HK\$1.00 as nominal consideration by the participant.

SHARE OPTION SCHEME (continued)

A. Employees' share option scheme of the Company (continued)

Upon adoption of the Scheme, the previous employees' share option scheme (the "Previous Scheme") adopted on 18 December 1996 was terminated by the Company simultaneously.

There were no options outstanding, granted, exercised, cancelled or lapsed under the Scheme or the Previous Scheme during the year.

B. Employees' share option scheme of EEICL

On 28 November 1999, EEICL adopted its existing employees' share option scheme (the "EEICL Scheme") under which the committee authorised by EEICL's directors (the "Committee") may, at its discretion, at any time during a period of 5 years from the date of adoption offer options to full-time employees and directors of EEICL and its subsidiaries, the Company and its subsidiaries, or of EEICL's associated company to subscribe for the shares of EEICL ("EEICL Shares") according to the terms of the EEICL Scheme. The EEICL Scheme is implemented for the purpose of motivating employees towards excellence in performance and maintaining a high level of contribution for the benefit of EEICL and its subsidiaries.

Pursuant to the EEICL Scheme, the maximum number of EEICL Shares upon which options may be granted when aggregated to the number of EEICL Shares issued and issuable in respect of all options granted under any other option schemes of EEICL shall not exceed 15% of the issued share capital of EEICL on the day preceding the date of grant. The maximum entitlement of a participant shall not exceed 25% of the total number of EEICL Shares issued and issuable upon exercise of the options under the EEICL Scheme.

The exercise period of an option shall be determined and notified by the director to each grantee. Options in respect of which the subscription price for an EEICL Share shall be fixed at the higher of (i) the average of the closing prices of EEICL Shares as reported in the daily Financial News issued by the Singapore Exchange Securities Trading Limited (the "Singapore Exchange") for each of the last 5 market days immediately preceding the date of grant; or (ii) the nominal value of EEICL Shares (the "Subscription Price") will have an option period commencing on a date not earlier than the first anniversary date and ending on a date not later than 5 years after the date of grant respectively. The Committee shall have the discretion to grant options with up to a 20% discount to the Subscription Price subject to a more remote exercise period commencing on a date not earlier than the second anniversary date and ending on a date not later than 5 years after the date of grant respectively. Options may be accepted within 30 days from the date of offer upon payment of S\$1.00 as nominal consideration by the participant.

Since EEICL became a subsidiary of the Company on 15 June 2001, the EEICL Scheme is required to comply with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") in addition to the Listing Manual of the Singapore Exchange. Given that the number of EEICL Shares issued and issuable upon the exercise of options already granted under the EEICL Scheme exceeds the 10% limit of EEICL's issued share capital at the date of adoption as prescribed by the Hong Kong Listing Rules, EEICL will not grant any further options during the remaining life of the EEICL Scheme.

Upon adoption of the EEICL Scheme, the previous employees' share option scheme (the "Previous EEICL Scheme") adopted on 2 December 1997 was terminated by EEICL simultaneously.

SHARE OPTION SCHEME (continued)

B. Employees' share option scheme of EEICL (continued)

Particulars of those unexercised share options granted to employees, save as those granted to directors of the Company as disclosed above, under the EEICL Scheme and the Previous EEICL Scheme at the balance sheet date were as follows:

Employees' share option scheme	Date of grant	Exercise period	Subscription price US\$	Number of share options			At end of year	Weighted average closing price* US\$
				At beginning of year	Exercised during the year	Lapsed during the year		
Previous EEICL Scheme	9 April 1998	10 April 1999 to 8 April 2003	4.833	703,200	—	(158,400)	544,800	—
	19 April 1999	20 April 2000 to 18 April 2004	3.100	819,600	(9,600)	(159,600)	650,400	3.300
				1,522,800	(9,600)	(318,000)	1,195,200	
EEICL Scheme	25 May 2000	26 May 2001 to 24 May 2005	1.308	1,063,400	(964,000)	(9,900)	89,500	3.123
				2,586,200	(973,600)	(327,900)	1,284,700	

* Weighted average closing price of EEICL shares on the Singapore Exchange immediately before the dates on which the options were exercised.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 29 to the financial statements.

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 Hong Kong Listing Rules throughout the accounting period covered by the annual report.

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



David SO Cheung Sing
Chairman and Chief Managing Director

Hong Kong
17 September 2002

Elec & Eltek International Holdings Limited