



1. CUSTOMERS AND SUPPLIERS

The information in respect of the Group's turnover and purchases attributable to the major customers and suppliers during the financial year ended 31 December 2004 is as follows:

(a) Major customers

	Percentage of the Group's total turnover
The largest customer	10%
Five largest customers in aggregate	41%

(b) Major suppliers

	Percentage of the Group's total purchases
The largest supplier	14%
Five largest suppliers in aggregate	53%

At no time during the year did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owned more than 5% of the Company's share capital) have any beneficial interests in these major customers and suppliers.

2. FINANCIAL REVIEW

The principal income of the Group for the year ended 31 December 2004 is derived mainly from sales of Liquid Crystal Displays and Liquid Crystal Display Modules. Turnover for the year was HK\$2,006,331,000 which is an increase of 57% over the previous year. The operating profit was HK\$249,169,000. The profit attributable to shareholders amounted to HK\$192,712,000, which represents an increase of 27% over the previous year.

There was a net cash inflow during 2004. Cash and deposits with banks and other financial institutions less bank overdrafts at 31 December 2004 totalled HK\$669,394,000.

3. DETAILS OF DIRECTORS

Dr Chang Chu Cheng, 61, is the Chairman of the Group. He gained his doctorate in Solid State Electronics from the University of Manchester Institute of Science & Technology in 1969 and lectured in Physics and Electronics at the Chinese University of Hong Kong prior to co-founding Varitronix in 1978 with other fellow directors. He presently serves as a Non-Executive Director of SAS Dragon Holdings Limited and Fujikon Industrial Holdings Limited which are both listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). He is also currently a member of TDC Electronics/Electrical Appliances Industry Advisory Committee, an Honorary Advisor of Hong Kong Critical Components Manufacturers Association and an honorary Chairman of Hong Kong Photographic and Optics Manufacturers Association.

**3. DETAILS OF DIRECTORS** (continued)

Tsoi Tong Hoo, Tony, 40, was appointed as an Executive Director and the Chief Executive Officer of the Company on 14 March 2005. Mr Tsoi graduated from the Ivey Business School of the University of Western Ontario, Canada with an Honors Business Administration degree. He has been a Chartered Financial Analyst since 1989, and has extensive experience in investment banking and corporate management. Mr. Tsoi is a member of Dual Filing Advisory Group of the Securities and Futures Commission, and a member of the Listing Committees of the GEM and Main Boards of the Stock Exchange. Mr. Tsoi was an Executive Director of Universal Holdings Limited, a company listed on the Stock Exchange, and has been re-designated to Non-executive Director as of 14 March 2005.

Dr Yan Sze Kwan, 61, is a Director of the Company with responsibility for overlooking operations and plant expansion. He has a Ph.D. in Physics from Massachusetts Institute of Technology and a postdoctoral from Wesleyan University, USA. From 1978 to 1987 he lectured firstly at Baptist College and subsequently at Hong Kong Polytechnic. Dr. Yan has been a Director since 1978 and subsequently became an Operations Manager of Varitronix in 1987.

Chung Shun Ming, 58, is a Director of the Company and Varitronix Limited, the main production arm of the Group, responsible for production planning and marketing. He holds a B.Sc. in Electrical Engineering from the University of California, Berkeley. From 1970 to 1978 he worked for Tai Wo Electronics Co. before joining Varitronix in 1978.

Kwok Siu Kwan, 53, is a Director of the Company responsible for technical development. He graduated from Hong Kong University and subsequently gained an M.Phil in Electronics at the Chinese University of Hong Kong. He worked for Microelectronics Ltd. and Ampex Ferrotec Ltd. before joining Varitronix in 1979.

Ho Te Hwai, Cecil, 44, was appointed as an Executive Director and the Company Secretary of the Company on 14 March 2005. Mr Ho holds a Bachelor of Commerce degree from the University of British Columbia, Canada. He is a member of the Institute of Chartered Accountants of Canada and Hong Kong Institute of Certified Public Accountants. He is currently the Group Financial Controller of Universal Holdings Limited and the Company Secretary of DVN Holdings Limited, both companies listed on the Stock Exchange.

In the last 3 years, he had been an Executive Director of Huabao International Holdings Limited from 21 June 2002 to 17 April 2004 and its Company Secretary from 9 July 2002 to 29 March 2004. Mr. Ho had also been an independent non-executive director and an audit committee member of Leadership Publishing Group Limited from 25 February 2003 to 2 March 2004.

Professor Kao Kuen, Charles, 71, has been an Independent Non-Executive Director of the Company since 1991. He is a member of the Audit Committee of the Company. He was the former Vice-Chancellor of the Chinese University of Hong Kong (October 87 – July 96). He gained a Ph.D. from the University of London and is a world renowned expert in telecommunications and fibre optics. Since his retirement from the University in 1996, he has become a consultant. He is the Chairman and CEO of his consulting company, ITX Services Limited.

**3. DETAILS OF DIRECTORS** (continued)

Lui Chi Shing, Anthony, 59, has been an Independent Non-Executive Director of the Company since 1991. He is the Chairman of the Audit Committee of the Company. He is a Fellow of the Institute of Chartered Accountants in England and Wales, an Associate Member of the Chartered Institute of Taxation and an Associate Member of the Hong Kong Institute of Certified Public Accountants. He has been practising as an accountant in Hong Kong for 25 years and is the sole proprietor of the firm Milne Ross (Certified Public Accountants).

Dr Lo Wing Yan, William, 44, was appointed as an Independent Non-Executive Director of the Company effective 22 July 2004. He is a member of the Audit Committee of the Company. Dr Lo holds a M Phil Degree in Molecular Pharmacology and a PhD degree in Genetic Engineering, both from Cambridge University. He is currently an executive director and vice-president of China Unicom Limited which is listed on both the Stock Exchange and the New York Stock Exchange ("the NYSE"). He is also the independent non-executive director of Nam Tai Electronics, Inc., which is listed on the NYSE, and independent non-executive director of a number of companies listed on the Stock Exchange including Softbank Investment International (Strategic) Limited, Capital Publications Limited, Ocean Grand Chemicals Holdings Limited, Superdata Software Holdings Limited and I.T. Limited, and a non-executive director of Panorama International Holdings Limited, which is also listed on the Stock Exchange. Dr. Lo is very active in the education sector of which he is an Adjunct Professor of The School of Business, Hong Kong Baptist University as well as a Governor of a newly established independent school the ISF Academy. In 1999, he was appointed as a Justice of the Peace. In 2003, he was appointed as Committee Member of Shantou People's Political Consultative Conference.

Yuen Kin, 49, was appointed as an Independent Non-executive Director of the Company on 14 March 2005. Mr. Yuen holds a Master of Business Administration degree from the University of Toronto, Canada. He is a Chartered Accountant in Canada and is a FCPA in Hong Kong and FCCA in the United Kingdom. He has over 25 years in Finance and Accounting and had held several senior management positions in different listed corporations in Hong Kong.

Mr. Yuen is an Independent Non-executive Director of Universal Holdings Limited and was an Executive Director and the Chief Financial Officer of The Grande Group Holdings Limited, a leading electronics manufacturer in Asia for 12 years until February 2004 and the Independent Non-executive director of Maxx Bioscience Holdings Limited from April 2002 to February 2004. All the abovementioned companies are listed on the main board of the Stock Exchange.

Hou Ziqiang, 67, was appointed as an Independent Non-executive Director of the Company on 14 March 2005. Mr Hou is an Independent Non-executive Director of China Netcom Group Corporation (Hong Kong) Limited and was a Non-executive of EZCOM Holdings Limited, both company are listed on the Stock Exchange. From 1993 to 1997, Mr. Hou was Director of Institute of Acoustics of the Chinese Academy of Sciences. From 1988 to 1993, Mr. Hou was Secretary General of the Chinese Academy of Sciences. Mr. Hou graduated from Peking University in 1958 with a bachelor degree in physics.



4. SENIOR MANAGEMENT'S PROFILES

The management executives of the Company during the financial year were as follows:

Hong Kong and China

Sok Lee Lim	Chief Operations Officer
Patrick Pun	Financial Controller
Dr Y.K. Fung	Project Manager
K.P. Ho	Technical Manager/LCM R&D
Amy Hsu	Human Resources Manager

Malaysia

Dr Tom S.K. Seah	Chief Executive Officer, Varitronix (Malaysia) Sdn. Bhd.
Peter T.H. Chang	General Manager, Varitronix (Malaysia) Sdn. Bhd.

The details of the management executives are as follows:

Sok Lee Lim, 41, is the Chief Operations Officer. She is responsible for overall manufacturing, quality, design and process engineering. She graduated from French Singapore Institute with a Diploma in Electronics Engineering. She has over 13 years of experience in the LCD and LCM industry involved in Design, Marketing, Production and Material Control and Purchasing before joining the Group in 1999.

Patrick Pun, 44, is the Financial Controller responsible for overall finance matters of the Group. Mr. Pun is a Chartered Management Accountant in U.K. and a Fellow of the Hong Kong Society of Accountants. Mr. Pun has over 15 years working experience with several multinational companies before joining the Group in 1997. Presently he is a member of Committee on Technologist Training of the Vocational Training Council.

Dr Y.K. Fung, 50, is a Project Manager of Varitronix Limited. After graduating from Ottawa University with a B.A.Sc. in Electrical Engineering in 1981, he worked for many years in the LCD industry both in this region and in the U.S.. Before joining the Group in 1995, he was with Kent States University from 1989 to 1994 working for his master and doctorate degrees in Physics.

K.P. Ho, 58, graduated from Hong Kong Polytechnic in 1973 with a Higher Certificate in Electrical Engineering and joined the Group in 1982. He is responsible for research and development of LCM products.

Amy Hsu, 50, is the Human Resources Manager of Varitronix Limited. She has over 20 years of extensive experience in all aspects of human resources management from diversified fields and with several multi-national companies working in HK, PRC, Canada & Taiwan before joining the Group in 2000. She graduated from Kingston University in UK and has been certified as HR Professional of Ontario (CHRP), MIPM in UK. She is also a member of various distinguished professional bodies such as Business British Graduate Society (UK), HK Society of Training & Development and Institute of Human Resources Management in HK.



4. SENIOR MANAGEMENT'S PROFILES (continued)

Dr Tom S.K. Seah, 55, is the Chief Executive Officer and a Director of Varitronix (Malaysia) Sdn. Bhd.. Immediately after he gained his doctorate in Theoretical Physics from University of North Carolina in 1975, he did his military service as an Artillery Officer in the Singapore Armed Forces until 1978. He then joined Printed Circuits International Ltd. (Singapore) as Project Engineer and left in 1981 as Product Director responsible for the entire LCD Division. From 1981 till 1996, he held various positions in Donnelly Corporation (USA) as Applied Research Manager, Technical Director and finally General Manager of a subsidiary of Donnelly in Yantai of China. He joined Varitronix (Malaysia) Sdn. Bhd. in July 1996.

Peter T.H. Chang, 55, is the General Manager of Varitronix (Malaysia) Sdn. Bhd.. He graduated from the University of Birmingham in 1975 with an M.Sc. and worked for National Semiconductor Corp. for three years as a QA Engineering Manager followed by working as General Manager in several other corporations in Malaysia. He joined Varitronix in 1992.

5. STAFF RETIREMENT SCHEMES

A subsidiary of the Company, Varitronix Limited, operates a defined contribution retirement scheme, whose assets are separate from the Group. The scheme is formally established under trust and is approved by the Inland Revenue Department under Section 87A of the Inland Revenue Ordinance. Both the employer and the employee are required to contribute 5% of the employee's basic monthly salary to the scheme.

The total retirement scheme cost charged to the Income Statement for the year was HK\$6,993,000 (2003: HK\$6,580,000). Charges to administer the scheme are deducted from the employer's contributions. Forfeited contributions are used by the employer to offset against future contributions. The amount so utilised during the year was HK\$201,000 (2003: HK\$136,000).

With effect from 1 December 2000, the Group also operates a MPF Scheme which was compulsory as enforced by The Mandatory Provident Fund Schemes Authority of Hong Kong. The existing retirement scheme is a Top-Up ORSO scheme. The MPF Scheme is a defined contribution retirement benefit scheme administrated by independent trustees. The employer and the employee have to contribute in total an amount equal to 10% of the relevant income of the employee to the MPF Scheme. Contributions from employer are 100% vested in the employees accounts as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to a few exceptions. The vesting for retirement scheme will remain unchanged.

Varitronix (Malaysia) Sdn. Bhd. operates a staff provident fund scheme under the Employees Provident Fund Act 1951. The employer and employee are required to contribute a certain percentage of the employee's basic monthly salary according to the Act. The total employer's contributions charged to the Income Statement for the year was HK\$1,734,000 (2003: HK\$2,136,000).