

Report of the Directors

The directors herein present their report and the audited financial statements of the Company for the period from 18 September 2000 (date of incorporation) to 31 December 2000 and the Group for the year ended 31 December 2000.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands on 18 September 2000. Pursuant to a reorganisation scheme (the “Group Reorganisation”) to rationalise the Group structure in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies now comprising the Group on 7 December 2000. Further details of the Group Reorganisation are set out in notes 1, 22 and 23 to the financial statements and in the Company’s prospectus dated 12 December 2000.

On 22 December 2000, the shares of the Company were listed on the Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company’s subsidiaries are set out in note 13 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 from operating activities for the year ended 31 December 2000 by principal activity and geographical area of operations are set out in notes 4 and 5 to the financial statements, respectively.

RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 December 2000 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 22 to 56.

As stated in the Company’s prospectus dated 12 December 2000, an interim dividend of HK\$37,000,000 was paid by a subsidiary of the Group to its then shareholders prior to the Group Reorganisation described in note 1 to the financial statements.

The directors recommend the payment of a final dividend of HK\$0.08 per share in respect of the year ended 31 December 2000 to all shareholders whose names appear on the register of members on 28 May 2001. This recommendation has been incorporated in the financial statements.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published combined results and the assets and liabilities of the Group for the last four financial years, prepared on the basis set out in the note below.

Results

	Year ended 31 December			
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Net profit attributable to shareholders	62,658	45,462	28,022	24,266

Assets and liabilities

	31 December			
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Total assets	294,492	189,613	136,186	113,244
Total liabilities	(153,055)	(109,872)	(76,100)	(67,696)
Minority interests	–	(1,083)	(1,090)	(1,074)
Net assets	141,437	78,658	58,996	44,474

Note: The summary of the combined results of the Group for the three years ended 31 December 1999 and the combined assets and liabilities of the Group as at 31 December 1997, 1998 and 1999 has been extracted from the Company's prospectus dated 12 December 2000. The summary was prepared from the audited financial statements of the companies then comprising the Group, after making appropriate adjustments and reclassifications, as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis set out in note 2 to the financial statements. The results of the Group for the year ended 31 December 2000 and its assets and liabilities as at that date are those set out on pages 22, 24 and 25 of the financial statement, respectively, and are presented on the basis as set out in note 2 to the financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 13 to the financial statements.

JOINTLY-CONTROLLED ENTITY

Particulars of the Group's interest in its jointly-controlled entity are set out in note 14 to the financial statements.

BORROWINGS

Details of the borrowings of the Group are set out in notes 20 and 21 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND SHARE PREMIUM

Details of movements in share capital, share options and share premium of the Company during the period, together with the reasons therefor, are set out in notes 22 and 23 to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the period and the Group during the year are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2000 Revision) of the Cayman Islands, amounted to HK\$110,820,000. This includes the Company's share premium account in the amount of HK\$31,241,000 at 31 December 2000, which may be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to the five largest customers and purchases from the five largest suppliers for the year ended 31 December 2000 accounted for less than 30% of the Group's total turnover and purchases, respectively, for the year.

Report of the Directors

DIRECTORS

The directors of the Company during the period were:

Executive directors:

Mr. WANG Ya Nan (<i>Chairman</i>)	(appointed on 18 September 2000)
Mr. WANG Ya Hu (<i>Vice Chairman</i>)	(appointed on 18 September 2000)
Mr. WONG Ah Yu	(appointed on 18 September 2000)
Mr. WONG Ah Yeung	(appointed on 18 September 2000)
Mr. SHI Bi Xi	(appointed on 18 September 2000)
Mr. CHOI Wai Sang	(appointed on 18 September 2000)

Non-executive directors:

Mr. WONG Kong Hon <i>JP</i> *	(appointed on 7 December 2000)
Mr. TING Leung Huel, Stephen*	(appointed on 7 December 2000)

* *Independent non-executive directors*

In accordance with article 108(A) of the Company's articles of association, Mr. Wong Ah Yeung, Mr. Choi Wai Sang and Mr. Ting Leung Huel, Stephen will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' REMUNERATION

Details of the remuneration of the directors of the Company are set out in note 6 to the financial statements.

FIVE HIGHEST PAID EMPLOYEES

Details of the five highest paid employees of the Group are set out in note 6 to the financial statements.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 December 2000, the interests of the directors and their associates in the share capital of the Company and its associated corporations as required to be recorded in the register of directors' interests maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Type of interest	Number of issued ordinary shares of HK\$0.10 each held in the Company
Mr. Wang Ya Nan	Corporate (Note 1)	169,875,000
Mr. Wang Ya Hua	Corporate (Note 1)	169,875,000
Mr. Wong Ah Yu	Corporate (Note 1)	169,875,000
Mr. Wong Ah Yeung	Corporate (Note 1)	169,875,000
Mr. Shi Bi Xi	Corporate (Note 2)	47,250,000

Notes:

1. These shares are held by Landmark Worldwide Holdings Limited, the entire issued share capital of which is beneficially owned as to 25% by each of Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung (collectively referred to as the "Wong Brothers").
2. These shares are held by Jetwise Universal Limited, the entire issued share capital of which is held and beneficially owned by Mr. Shi Bi Xi.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 7 December 2000, the board of directors may, at its absolute discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company. Further details of the Scheme are set out in note 22 to the financial statements.

Apart from the foregoing, at no time during the period and up to the date of this report was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their associates, 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.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, the following parties with interests representing 10% or more of the Company's issued share capital were recorded in the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Notes	Number of ordinary shares held
Landmark Worldwide Holdings Limited	1	169,875,000
Jetwise Universal Limited	2	47,250,000

Notes:

1. The entire issued share capital of Landmark Worldwide Holdings Limited is held and beneficially owned as to 25% by each of the Wong Brothers.
2. The entire issued share capital of Jetwise Universal Limited is held and beneficially owned by Mr. Shi Bi Xi, a director of the Company.

Apart from the foregoing, at 31 December 2000, 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 under Section 16(1) of the SDI Ordinance.

DIRECTORS' SERVICE CONTRACTS

Each of the Wong Brothers, and Messrs. Shi Bi Xi and Choi Wai Sang, being all of the executive Directors of the Company, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 1 December 2000, and which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Such notice shall not expire until after the aforementioned initial fixed term.

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

Saved as disclosed in note 3 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to which the Company or any of its subsidiaries was a party during the period.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 3 to the financial statements.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Executive directors

Mr. Wang Ya Nan, aged 43, is the Chairman of the Company. He is responsible for the overall strategic planning and business development of the Group. He is also responsible for the development of overseas markets. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Hua.

Mr. Wang Ya Hua, aged 45, is the Vice Chairman of the Company and General Manager of the Group. He is responsible for the overall management of the Group with special focus on product development, and product sales and promotion in the PRC market. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Nan.

Mr. Wong Ah Yu, aged 48, is a Deputy General Manager of the Group and the General Manager of Tongda Electrics. He is responsible for the financial management, accounts, human resources and administration of the Group. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wang Ya Hua and Wang Ya Nan.

Mr. Wong Ah Yeung, aged 51, is a Deputy General Manager of the Group and the General Manager of Tongda Electronic. He is responsible for the procurement, sales and product promotions of the Group. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yu, Wang Ya Hua and Wang Ya Nan.

Mr. Shi Bi Xi, aged 41, is the General Manager of Tongda Metals. He supervises the operations, product development and sales and marketing of Tongda Metals. He joined the Group in August 1995 and has over 19 years of moulding experience in the mechanical engineering industry.

Mr. Choi Wai Sang, aged 45, is a Director and is responsible for the Group's marketing and the technical support of the Group's product development. He joined the Group in December 1988. He graduated with Bachelor and Master of Science degrees in electrical engineering from the University of Illinois, Urbana, USA.

Independent non-executive directors

Mr. Wong Kong Hon, JP, aged 58, is an independent non-executive Director. Mr. Wong is currently the managing director of Chuan Chiong Group companies. Mr. Wong actively participates in community services and holds various positions, including the Deputy of The National People's Congress of China, the Vice Chairman of the Hong Kong Chinese General Chamber of Commerce, the Chairman of the Hong Kong Federation of Fujian Associations, the Vice Chairman of the Fukien Chamber of Commerce and the Chairman & Supervisor of Fukien Secondary School and Fukien Secondary School, Siu Sai Wan.

Mr. Ting Leung Huel, Stephen, FCCA FHKSA FTIHK CPA, aged 47, is an independent non-executive Director. Mr. Ting is an accountant in public practice as the managing partner of Ting Ho Kwan & Chan, Certified Public Accountants since 1987. He is also an independent non-executive director of four listed companies, namely, Chow Sang Sang Holdings International Limited, eForce Holdings Limited, Hi Net Holdings Limited and Tong Ren Tang Technologies Company Limited.

Senior management

Mr. Yang Si Lin, aged 35, is the Assistant General Manager of Tongda Electronic. He is responsible for the design and production of carbon film fixed resistors. He joined the Group in August 1989 and has over 13 years of corporate management experience in the manufacturing industry.

Mr. Lin Yuen, aged 35, is the Chief Engineer of Tongda Electrics. He is responsible for the production of membrane touch switches, the research and development of IMD and the advancement of production know-how. He holds a bachelor's degree in engineering from the University of Jiao Tong, Shanghai. He joined the Group in May 1999 and has over 15 years of experience in manufacturing and product development.

Mr. Shu Yuen Shu, aged 62, is the Senior Management Consultant of the Group. He assists the Group's General Manager to formulate corporate strategies and staff training, and to implement the Group's quality control programme. He holds a bachelor's degree in physics from the University of Xiamen. He joined the Group in June 1998 and has over 30 years of quality management experience in the electronics industry.

Mr. Liu Yung Chang, aged 52, is the Department Head of the sales and marketing department of the Group. He is responsible for the overall production planning and resources allocation. He also supervises the domestic product sales and marketing activities in the PRC. He joined the Group in March 1999 and has over 20 years of experience in the production and sale of electronic products.

Ms. Lee Sau Mei, Christina, aged 31, is the Marketing Manager of the Group. She oversees the implementation of the corporate strategies on sales and marketing of the Group. She holds a Bachelor of Science degree in marketing from Johnson and Wale University, USA. She joined the Group in 1995 and has over 5 years of experience in the field of international marketing.

Mr Yuen Sik Kin, aged 40, is the Accounting Manager of the Group and is responsible for the accounts and financial management of the Group. He obtained qualification of Accountant from the Finance Department the People of Republic of China. He joined the Group in 1994 and has over 20 years of working experience in the accounts and finance field.

Mr. He Yong Tao, aged 61, is the Chief Engineer of the Group. He is responsible for the development of digital products. He graduated from the Northwest Industry University, the PRC, majoring in aerial wireless radio. He joined the Group in May 1999 and has over 35 years of experience in product design and development as well as in information management and systems control.

Mr. Guo Qi Cai, aged 50, is the Chief Engineer of Tongda Metals. He is responsible for the design and development of moulds and ironware parts. He graduated from Chongqing Telecom Engineering College. He joined the Group in March 1996 and has over 30 years of experience in the design and development of moulds and ironware parts.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, its holding company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

COMPLIANCE WITH THE 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 year covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation at the annual general meeting in accordance with the Company's memorandum and articles of association.

PENSION SCHEME

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the Scheme. The Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently-administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

Apart from the foregoing, the Group's subsidiaries in the PRC are required to participate in the employee retirement scheme operated by the relevant local government bureau in the PRC and to make contributions for its eligible employees. The contributions to be borne by the Group are calculated at a certain percentage of the salaries and wages for those eligible employees.

As at 31 December 2000, the Group had no significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong.

The employer's pension costs charged to the profit and loss account for the year are set out in note 5 to the financial statements.

USE OF PROCEEDS

Starting from the listing of the Company's shares on the Stock Exchange on 22 December 2000 up to 31 December 2000, the Group did not apply the net proceeds from the issue of new shares of approximately HK\$61 million for their intended uses. Subsequent to the balance sheet date, approximately HK\$19 million was used for the procurement of production machinery and equipment and the establishment of new production facilities. The remaining proceeds not utilised was currently deposited with banks. The directors are of the opinion that the remaining proceeds will be applied in the coming year to their intended uses as set out in the Company's prospectus dated 12 December 2000.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 7 December 2000 with written terms of reference, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors of the Company. The Group's financial statements for the year ended 31 December 2000 have been reviewed by the Committee, who are of the opinion that such 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

Wang Ya Nan
Chairman

Hong Kong
19 April 2001