

## REPORT OF THE DIRECTORS

The Directors submit their first annual report together with the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2002.

### CORPORATE REORGANIZATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 12 May 1998 under the Companies Act 1981 (as amended). Pursuant to a reorganization scheme (the "Group Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange Of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 29 May 2002. The shares of the Company were listed on the Stock Exchange on 21 June 2002.

### PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Its principal subsidiaries are engaged in manufacturing and sale of Printed Circuits Boards ("PCB"). Details of the Company's principal subsidiaries as at 31 December 2002 are set out in note 16 to the financial statement.

Details of the analysis of the Group's turnover for the year by geographical location is set out in note 5 to the financial statement.

### RESULTS AND APPROPRIATIONS

The results for the year ended 31 December 2002 are set out in the consolidated profit and loss account on page 24.

The Directors recommend the payment of a final dividend of 1.5 Hong Kong cents per ordinary share, totaling HK\$9,600,000, to the shareholders whose names appear on the register of members of the Company at the close of business on 15 May 2003.

### SHARE CAPITAL

At 21 June 2002, the Company issued a total of 160,000,000 ordinary shares of HK\$0.10 each at HK\$1.38 to independent third parties.

Details of the movements in share capital of the Company during the year are set out in note 26 to the financial statement.

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### RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

### DISTRIBUTABLE RESERVES

At 31 December 2002, the distributable reserves of the Company available for distribution as dividends (net of proposed final dividend for the year end 31 December 2002) amounted to HK\$467,645,000, comprising retained earnings of HK\$876,000 and the contributed surplus of HK\$466,769,000 arising from the exchange of shares for the acquisition of subsidiaries as a result of the Group reorganization in preparation for the listing of the Company's shares on the Hong Kong Stock Exchange. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

### DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$1,000,000.

### FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 15 to the financial statements.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws though there are no restrictions against such rights under the laws of Bermuda.

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### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company's shares were listed on the Main Board of the Stock Exchange on 21 June 2002. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since that date.

### SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include

- i. any employee (whether full-time or part-time) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including, any executive director of the Company, any of such subsidiaries or any Invested Entity;
- ii. any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- iii. any supplier of goods or services to any member of the Group or any Invested Entity;
- iv. any customer of the Group or any Invested Entity;
- v. any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- vi. any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- vii. and for the purposes of the Scheme, the Options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the above classes of participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of Option under the Scheme.

The basis of eligibility of any of the above class of participants to the grant of any Options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group. The Scheme was conditionally adopted and approved by the shareholders of the Company on 30 May 2002 and unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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The maximum number of ordinary shares in respect of which options may be granted at any time under the Scheme and any other share option scheme of the Company cannot exceed 30% of the issued share capital of the Company from time to time. The total number of ordinary shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 64,000,000 Shares, being 10% of the Shares in issue on 21 June 2002. The Company may seek approval of its shareholders in general meeting to refresh the 10% limit provided that the total number of ordinary shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and under any other share option scheme of the Group under the limit as "refreshed" must not exceed 10% of the ordinary shares in issue at the date of approval of the limit. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of such further grant in excess of this limit is subject to issue of a circular to the shareholders and shareholders' approval in a general meeting of the Company with such proposed grantees and their associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors, other than an independent non-executive director who is proposed to be a grantee. In addition, any share options granted to a substantial shareholders or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in advance in a general meeting in which the proposed grantees must abstain from voting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences at any time on or after the date upon which the option is deemed to be granted and accepted and expires not later than the 10th anniversary of that date.

The exercise price of the share options is determinable by the directors, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the grant of the share options which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares on the offer date.

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The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are lapsed or cancelled prior to their exercise date are deleted from the register of outstanding options.

No share options have been granted under the Scheme up to the date of approval of the Annual Report.

Apart from as disclosed above under the headings "Share option scheme" and "Directors' Interests in Shares" below, none of the directors or their respective associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) or had any right to subscribe for equity or debt securities of the Company, as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

### SUBSIDIARIES AND ASSOCIATED COMPANY

Details of the Company's principal subsidiaries and associated company at 31 December 2002 are set out in notes 16 and 17 to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2002, the sales of products to the largest and the five largest customers amounted to approximately 14% (2001: 24%) and 51% (2001: 59%) of turnover respectively.

For the financial year ended 31 December 2002, the purchases of materials from the largest and the five largest suppliers amounted to approximately 15% (2001: 18%) and 56% (2001: 55%) of total purchases respectively.

None of the directors, their respective associates had any interest in any of the five largest customers and suppliers of the Group for the financial year ended 31 December 2002.

To the knowledge of the Directors, one of the five largest suppliers owned more than 5% but less than 10% of the issued shares of the Company as at 31 December 2002.

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Saved as disclosed above, none of any shareholders of the Company (which, to the knowledge of the Directors, own more than 5% of the issued share of the Company) had any interest in any of the five largest customers and suppliers of the Group for the financial year ended 31 December 2002.

### CONNECTED TRANSACTIONS

Details of the Group's connected transactions are set out in note 33 to the financial statements.

### DIRECTORS

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

#### Executive directors:

Mr. Cheok Ho Fung  
Mr. Ng Chi Shing  
Mr. Kwok Chi Kwong, Danny  
Mr. Wong Shui Hing

#### Independent non-executive directors:

Mr. Ng Kwok Ying, Alvin (appointed on 3 April 2002)  
Mr. Tang Yok Lam, Andy (appointed on 3 April 2002)

In accordance with the Company's Bye-laws, Mr. Ng Chi Shing and Mr. Wong Shui Hing will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

### BIOGRAPHICAL DETAILS OF DIRECTORS

#### Executive Directors

**Mr. Cheok Ho Fung**, aged 51, is the Chairman and Chief Executive Officer and founder of the Group. Mr. Cheok is responsible for overall strategic planning and direction of the Group. Backed by over 16 years' of experience in the PCB industry, Mr. Cheok also spearheads the Group's efforts in seeking out business development, capital investment and joint venture opportunities. Prior to the founding of the Group in 1985, Mr. Cheok had held various financial controller and management positions in different multi-national companies involved in computers and computer related products, application system providers, motor vehicles and agricultural equipment, ship repair and oil-rig construction, business-form printing and PCB manufacturing. Mr. Cheok has been a fellow member of the Association of Chartered Certified Accountants since 1980, Chartered Institute of Cost and Management Accountants since 1981 and Hong Kong Society of Accountants since 1990.

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**Mr. Ng Chi Shing**, aged 42, is the Chief Operating Officer of the Group. Mr. Ng is responsible for overall management, including engineering, research and development and manufacturing activities of the Group. Mr. Ng has accumulated over 16 years of experience in the PCB industries. Prior to joining the Group in 1985, he was employed by a major PCB manufacturer in Hong Kong, where he was responsible for material control. Mr. Ng obtained his degree in Quantitative Analysis for Business from City Polytechnic University, Hong Kong in 1995.

**Mr. Kwok Chi Kwong, Danny**, aged 43, is the Quality Assurance Director of the Group. He is responsible for all matters in relation to quality assurance and for ensuring that the Group consistently meets the standards set by the QS 9000 quality management system. Prior to joining the Group in 1986, Mr. Kwok had been an auditor for the Quality Assurance Department in a major PCB manufacturer in Hong Kong for two years. Mr. Kwok graduated from the Hong Kong Polytechnic in 1990.

**Mr. Wong Shui Hing**, aged 49, is the Chief Finance Officer of the Group. In addition to being responsible for overall finance and accounting functions, Mr. Wong oversees the Group's purchasing and shipping activities, as well as human resources and training programs. Prior to joining the Group in 1987, Mr. Wong gained exposure and experience in the field of management accounting in companies involved in ship repair, oil-rig construction and PRC offshore oil drilling services. Mr. Wong graduated from the Hong Kong Baptist College in 1978.

### Independent non-executive director

**Mr. Ng Kwok Ying, Alvin**, aged 55, is an independent non-executive Director. Mr. Ng is the founder and currently a senior partner of Ng and Partners, Solicitors. Prior to becoming a solicitor, Mr. Ng worked in the shipping industry for 10 years. Mr. Ng graduated from the University of Hong Kong with a Bachelor of Social Sciences degree. Mr. Ng was appointed as the Company's independent non-executive Director on 3 April 2002.

**Mr. Tang Yok Lam, Andy**, aged 54, is an independent non-executive Director. Mr. Tang has had 30 years international working experience in Hong Kong, Japan, London, the US and the PRC in engineering, finance and investment banking areas. Mr. Tang had served at various senior executive positions in multinational companies in Hong Kong, Japan, London, the US and the PRC. Mr. Tang pioneered non-recourse project finance for major power plant financing in the PRC since 1994. Mr. Tang is currently the president of Shandong ITIC Consulting Co., Ltd., a sino-US joint venture with Shandong International Trust & Investment Corp. in Jinan, the PRC. The company provides various investment banking and strategic advisory services to leading Chinese groups, both private enterprises and publicly listed companies. Mr. Tang studied naval architecture in Taiwan, then production management at Cambridge and earned his MBA at Cranfield Institute of Technology (England) in 1977. Mr. Tang was appointed as the Company's independent non-executive Director on 3 April 2002.

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### DIRECTORS' SERVICE CONTRACTS

On 30 May 2002, the Company entered into separate service agreements with Mr. Cheok Ho Fung, Mr. Ng Chi Shing, Mr. Kwok Chi Kwong and Mr. Wong Shui Hing respectively for an initial period of three years, which is renewable thereafter. Under the respective service agreements with Mr. Ng Chi Shing, Mr. Kwok Chi Kwong and Mr. Whong Shui Hing, such agreements may be terminated by either party by giving not less than three months' written notice to the other party while under the service agreement with Mr. Cheok Ho Fung, such agreement may be terminated by either party giving not less than six month written notice to the other party.

Save as disclosed above, none of the Directors has or is proposed to have a service agreement with the Company or any of its subsidiaries, which is not determinable within one year without payment of compensation other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 33 to the financial statements, no contracts of significance in relation to the Group's business to which the Company or 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.

### DIRECTORS' INTERESTS IN SHARES

As at 31 December 2002, the interests of the Directors in the share capital of the Company or 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"), were as follows:—

#### (a) The Company

Name of director	Notes	Nature of interest	Number of ordinary shares held
Mr. Cheok Ho Fung	(i)	Corporate	432,000,000
Mr. Cheok Ho Fung	(ii)	Personal	48,000,000
			480,000,000

Notes:—

- (i) These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as 51% jointly by Mr. Cheok Ho Fung and his wife.
- (ii) These shares are owned by Mr. Cheok Ho Fung.



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### (b) Associated Corporation — Inni International Inc.

Name of director		Nature of interest	Number of ordinary shares held
Mr. Cheok Ho Fung		Personal	12,250
Mr. Cheok Ho Fung	<i>Note</i>	Family	12,750
			25,000

*Note:* These 12,750 shares are jointly owned by Mr. Cheok Ho Fung and his wife.

### (c) Subsidiary — Topsearch Industries (Holdings) Limited

Name of director	Notes	Nature of interest	Number of non-voting deferred shares held
Mr. Cheok Ho Fung	(i)	Personal	2,000,100
Mr. Cheok Ho Fung	(i) and (ii)	Family and Corporate	17,999,900
			20,000,000

*Notes:*—

- (i) These shares are non-voting deferred shares.
- (ii) These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as 51% jointly by Mr. Cheok Ho Fung and his wife.

Saved as disclosed above, none of the Directors or their associates had any interest in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

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### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows the following interest of 10% or more of the share capital of the Company:

<b>Name of shareholders</b>	<i>Notes</i>	<b>Number of ordinary shares held</b>	<b>Percentage of issued share capital</b>
Inni International Inc.	(i)	432,000,000	67.5%
Mr. Cheok Ho Fung	(ii)	480,000,000	75.0%
Mrs. Cheok Chu Wai Min	(ii)	480,000,000	75.0%

Notes:—

- (i) The above interests in the name of Inni International Inc. was also disclosed as interest of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares".
- (ii) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The shareholdings stated against Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represented the same block of shares, which were also included as interests of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares".

Saved as disclosed above, no person, other than a director of the Company, whose interest is set out above, had registered an interest in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

### AUDIT COMMITTEE

The Company established an Audit Committee on 30 May 2002 with written terms of reference in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls of the Group.

The Committee comprises two independent non-executive directors, namely Mr. Ng Kwok Ying, Alvin and Mr. Tang Yok Lam, Andy. Two meetings were held for the review of interim and annual financial statements for the current financial year.

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### CODE OF BEST PRACTICE

In the opinion of the Directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, since the listing of the share of the Company in the Stock Exchange on 21 June 2002, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and are eligible for re-election at the annual general meeting in accordance with the bye-laws of the Company.

### 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

#### **CHEOK HO FUNG**

*Chairman and Chief Executive Officer*

Hong Kong, 11 April 2003