

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates consisted of the design, development, manufacture and distribution of electronic and computer products and components.

### **SEGMENTED INFORMATION**

Details of turnover and segmented information are set out in notes 5 and 37 to the financial statements.

### **RESULTS AND DIVIDENDS**

The Group's results for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 74.

An interim dividend of HK10 cents per ordinary share was paid on 5 November 2003. The directors recommend the payment of a final cash dividend of HK10 cents per share, together with a special dividend, subject to compliance with regulatory requirements, if any, the dividend by way of a distribution in specie of one share of Sansui Electric Co., Ltd. ("SEC"), a company listed on the first section of the Tokyo Stock Exchange, for every two shares of the Company being held by the shareholders on the register of members on 16 June 2004. The market value at close of business on 23 April 2004 of SEC was 40 Yen per share which equates to a special dividend of HK\$1.45 per share.

### **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 throughout the year covered by the annual report, except that independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-Laws.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below:

### RESULTS

	Year ended 31 December				
	<u>2003</u> HK\$ million	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million	<u>2000</u> HK\$ million	<u>1999</u> HK\$ million
TURNOVER	<u>7,723</u>	<u>6,646</u>	<u>7,818</u>	<u>8,309</u>	<u>5,757</u>
PROFIT/(LOSS) BEFORE TAX	<u>445</u>	<u>305</u>	<u>532</u>	<u>(350)</u>	<u>376</u>
Tax	<u>2</u>	<u>(3)</u>	<u>(4)</u>	<u>(13)</u>	<u>(11)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<u>447</u>	<u>302</u>	<u>528</u>	<u>(363)</u>	<u>365</u>
Minority interests	<u>3</u>	<u>76</u>	<u>(71)</u>	<u>(218)</u>	<u>(174)</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS (RESTATED)	<u>450</u>	<u>378</u>	<u>457</u>	<u>(581)</u>	<u>191</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (AS PREVIOUSLY REPORTED)				<u>406</u>	<u>195</u>

### ASSETS AND LIABILITIES

	31 December				
	<u>2003</u> HK\$ million	(Restated) <u>2002</u> HK\$ million	(Restated) <u>2001</u> HK\$ million	(Restated) <u>2000</u> HK\$ million	(Restated) <u>1999</u> HK\$ million
NON-CURRENT ASSETS	<u>3,148</u>	<u>3,161</u>	<u>2,251</u>	<u>2,394</u>	<u>2,227</u>
CURRENT ASSETS	<u>3,487</u>	<u>2,639</u>	<u>3,593</u>	<u>3,964</u>	<u>3,296</u>
TOTAL ASSETS	<u>6,635</u>	<u>5,800</u>	<u>5,844</u>	<u>6,358</u>	<u>5,523</u>
CURRENT LIABILITIES	<u>2,740</u>	<u>2,245</u>	<u>2,819</u>	<u>3,697</u>	<u>3,073</u>
NON-CURRENT LIABILITIES	<u>404</u>	<u>926</u>	<u>221</u>	<u>72</u>	<u>75</u>
TOTAL LIABILITIES	<u>3,144</u>	<u>3,171</u>	<u>3,040</u>	<u>3,769</u>	<u>3,148</u>
	<u>3,491</u>	<u>2,629</u>	<u>2,804</u>	<u>2,589</u>	<u>2,375</u>
SHARE CAPITAL AND RESERVES	<u>2,951</u>	<u>2,045</u>	<u>2,052</u>	<u>1,527</u>	<u>1,670</u>
MINORITY INTERESTS	<u>540</u>	<u>584</u>	<u>752</u>	<u>1,062</u>	<u>705</u>
	<u>3,491</u>	<u>2,629</u>	<u>2,804</u>	<u>2,589</u>	<u>2,375</u>

**PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

**INVESTMENT PROPERTIES**

Details of movements in the investment properties of the Group are set out in note 12 to the financial statements.

**SUBSIDIARIES AND ASSOCIATES**

Particulars of the Company's principal subsidiaries and associates are set out in notes 14, 15 and 38 to the financial statements, respectively.

**SHARE CAPITAL AND SHARE PREMIUM**

Details of movements in the Company's share capital and share premium are set out in notes 29 and 30 to the financial statements.

**DISTRIBUTABLE RESERVES**

At 31 December 2003, the Company's reserves available for distribution to shareholders, calculated under the provisions of the Companies Act 1981 of Bermuda amounted to HK\$1,394 million.

The Company's share premium account may be distributed in the form of fully paid bonus shares.

**MAJOR CUSTOMERS AND MAJOR SUPPLIERS**

In the year under review, sales to the Group's largest customer and five largest customers accounted for approximately 11% and 44%, respectively, of the Group's total turnover for the year.

Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 15% and 27%, respectively, of the Group's total purchases for the year.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers.

**DIRECTORS' REMUNERATION**

Details of the directors' remuneration are set out in note 7 to the financial statements.

## DIRECTORS

The directors of the Company during the year were:

Mrs. Christine L. S. Asprey  
 Mr. Michael A. B. Binney  
 Ms. Anita S. C. Chiu  
 Mr. Christopher W. Ho  
 Mr. C. F. Lam  
 Mr. Paul K. F. Law  
 Mr. Adrian C. C. Ma  
 Mr. Herbert H. K. Tsoi  
 Mr. Samuel K. Yuen (resigned on 16 February 2004)

In accordance with Bye-Law 99, Mr. Christopher W. Ho, Mr. Paul K. F. Law and Mr. Herbert H. K. Tsoi will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 4 and 28 to the financial statements, no director had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

There were no unexpired service contracts which are not determinable by the Company within one year without compensation, other than statutory payments, in respect of any director proposed for re-election at the forthcoming annual general meeting.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

The interests of the directors and their associates in the equity or debt securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO at the balance sheet date are set out below:

Directors	Number of issued ordinary shares of HK\$0.10 each in the Company		% of the issued share capital
	Personal interests (Long positions)	Corporate interests	
Mr. Christopher W. Ho	–	305,081,713*	66.29%
Mr. C. F. Lam	303,600	–	0.07%
Mr. Adrian C. C. Ma	78,000	–	0.02%

\* Mr. Christopher W. Ho had a 100% deemed beneficial interest in The Grande International Holdings Limited ("GIHL") which owned 305,081,713 ordinary shares in the Company through its wholly owned subsidiary, Barrican Investments Corporation ("BIC").

Save as disclosed above, none of the directors or their 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 SFO Ordinance (Cap. 571) – Disclosure of interest.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

The share option scheme adopted by the Company on 26 November 1990 had expired and there were no options outstanding as at the date of this report.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their 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**

As at 31 December 2003, the interests of every person, other than the directors of the Company, in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>No. of ordinary shares held (Long positions)</b>	<b>% of the issued share capital</b>
Mr. Lawrence Y. L. Ho	Corporate	24,986,000*	5.43%

\* Mr. Lawrence Y. L. Ho owned 24,986,000 ordinary shares in the Company through Grand Villa Assets Limited that he has 100% control.

## BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
<b>Board of Directors</b>				
Mr. Christopher W. Ho	53	Chairman	13	Manufacturing, international trading and corporate finance
Mr. Adrian C. C. Ma	59	Group Managing Director and Managing Director, Branded Distribution Group	20	Consumer electronics industry
Mrs. Christine L. S. Asprey	55	Group Executive Director	6	International marketing, market research and industrial affairs
Mr. Michael A. B. Binney	44	Group Executive Director, Company Secretary and Managing Director, Finance and Accounting Group	14	Finance, accounting and corporate restructuring
Mr. C. F. Lam	54	Group Executive Director and Managing Director, Electronics Manufacturing Services Group – Magnetic Media Division	29	Computer magnetic media industry
Mr. Paul K. F. Law	47	Group Executive Director and Managing Director, Electronics Manufacturing Services Group – Consumer Electronics Division	12	Consumer electronics industry
<b>Independent Directors</b>				
Mr. Herbert H. K. Tsoi	53	Non-executive Director	6	Solicitor
Ms. Anita S. C. Chiu	47	Non-executive Director	5	Architect

Mr. Christopher W. Ho and Mrs. Christine L. S. Asprey are brother and sister.

## BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF SENIOR MANAGEMENT STAFF

Name	Age	Position held	Number of years of service	Business experience
<b>Electronics Manufacturing Services Group</b>				
Ms. Anissa Y. Y. Choi	49	Deputy Managing Director	23	Consumer electronics industry
Mr. K. T. Fok	43	Director – Engineering and Operations	21	Computer industry
Mr. Chau Lung	49	Director – Development	21	Computer industry
<b>Branded Distribution Group</b>				
Mr. Takeshi Nakamichi	54	Deputy Managing Director	32	Product research and development
Mr. Christopher T. O. Chiang	47	Executive Director	5	Sales and marketing
Mr. Ata Malik	57	Executive Director	31	Sales and marketing
Ms. Ann Leong	45	Executive Director	3	Sales and marketing
Mr. H. C. Yeung	45	General Manager – China	20	Sales and marketing
<b>Treasury</b>				
Mrs. Eleanor Crosthwaite	50	Managing Director	18	Treasury
Mr. Tony W. M. Lam	39	Director	12	Banking and treasury
<b>Legal</b>				
Ms. Ruby Y. K. Lee	42	Group Legal Counsel	10	Solicitor

## EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31 December 2003 was approximately 12,000. Employees are remunerated according to their performance and working experience, and the nature of the job and market conditions.

### **PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES**

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

### **POST BALANCE SHEET EVENT**

Details of the significant post balance sheet event of the Group are set out in note 39 to the financial statements.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **CONNECTED TRANSACTIONS**

Significant related party transactions entered by the Group during the year ended 31 December 2003, which constitutes connected transactions under the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited, is disclosed in note 4 to the financial statements.

### **AUDIT COMMITTEE**

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company has established an Audit Committee.

The members of the Audit Committee during the year were:

#### **Independent non-executive directors**

Mr. Herbert H. K. Tsoi

Ms. Anita S. C. Chiu

The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

### **AUDITORS**

Messrs. Deloitte Touche Tohmatsu 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

**Christopher W. Ho**  
*Chairman*

Hong Kong  
26 April 2004