

## □ DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st December, 2003.

## □ PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 34 to the financial statements.

## □ RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2003 are set out in the consolidated income statement on page 24.

An interim dividend of HK1.0 cent per share, amounting to HK\$2,301,000, was paid to the shareholders during the year. The directors recommend a final dividend of HK2 cents per share to the shareholders on the register of members on 28th June, 2004.

## □ INVESTMENT PROPERTIES

At 31st December, 2003, the investment properties of the Group were revalued by an independent firm of professional property valuers on an open market value basis at HK\$58,000,000. Details of movements are set out in note 11 to the financial statements.

Particulars of investment properties of the Group at 31st December, 2003 are set out on page 71.

## □ PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

# Directors' Report

## ▣ DIRECTORS

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

### *Executive Directors*

Yim Yuk Lun, Stanley, *Chairman and Managing Director*

Wong Sui Chuen

(appointed on 2nd January, 2003)

Ng Sai Ping, Dominic

(resigned on 26th February, 2003)

### *Non-Executive Director*

Dr. Chang Chu Cheng

### *Independent Non-Executive Directors*

Dr. Lui Ming Wah, J.P.

Chang Ping Kin

Wong Tak Yuen, Adrian

Liu Chun Ning, Wilfred

Li Seung, Sammy

(resigned on 27th January, 2003)

In accordance with Clauses 87(1) and 87(2) of the Company's Bye-Laws, Dr. Lui Ming Wah, J.P. and Dr. Chang Chu Cheng retire and, being eligible, offer themselves for re-election.

The term of office for the non-executive director and each independent non-executive director is the period up to his retirement by rotation in accordance with the above Bye-Laws.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## □ DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st December, 2003, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long positions

(a) Ordinary shares of HK\$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Yim Yuk Lun, Stanley	Beneficial owner	5,490,000	2.38%
	Held by controlled corporation (Note)	59,185,400	25.72%
		64,675,400	28.10%
Wong Sui Chuen	Beneficial owner	2,000	0.00%

(b) Share options of the Company

Name of directors	Capacity	Number of options held	Number of underlying shares
Yim Yuk Lun, Stanley	Beneficial owner	1,000,000	1,000,000
Wong Sui Chuen	Beneficial owner	100,000	100,000

*Note:* These shares are held by a unit trust whose trustee is Unimicro Limited, a company incorporated in the British Virgin Islands, of which Mr. Yim Yuk Lun, Stanley is also a director. All units in the unit trust are beneficially owned by a discretionary trust established by Mr. Yim Yuk Lun, Stanley, the beneficiaries of which include the spouse and issues of Mr. Yim Yuk Lun, Stanley.

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2003.

# Directors' Report

## □ SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 24 to the financial statements.

The following table discloses movements in the Company's share options during the year:

	<b>Date of grant</b>	<b>Exercise price per share</b> <i>HK\$</i>	<b>Exercisable period</b>	<b>Outstanding at 1.1.2003</b>	<b>Reclassified during the year</b>	<b>Lapsed during the year</b>	<b>Outstanding at 31.12.2003</b>
<b>Directors</b>							
Yim Yuk Lun, Stanley	29.9.1997	3.80	29.9.1997-16.9.2004	1,000,000	-	-	1,000,000
Wong Sui Chuen	17.6.2000	0.57	17.6.2002-16.6.2004	-	100,000	-	100,000
Total Directors				<u>1,000,000</u>	<u>100,000</u>	<u>-</u>	<u>1,100,000</u>
<b>Employees</b>							
	4.5.2000	0.59	4.5.2002-3.5.2004	200,000	-	-	200,000
	17.6.2000	0.57	17.6.2002-16.6.2004	200,000	(100,000)	-	100,000
	14.6.2001	0.49	14.6.2001-13.6.2003	800,000	-	(800,000)	-
Total Employees				<u>1,200,000</u>	<u>(100,000)</u>	<u>(800,000)</u>	<u>300,000</u>
Total				<u>2,200,000</u>	<u>-</u>	<u>(800,000)</u>	<u>1,400,000</u>

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of eighteen had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

## ▣ SUBSTANTIAL SHAREHOLDERS

At 31st December, 2003, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders, in addition to the directors as stated under the heading "Directors' interests in shares and underlying shares", had notified the Company of relevant interests and short positions in the issued share capital of the Company.

### Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Hon Hai Precision Industry Co., Ltd. ("Hon Hai")	Held by controlled corporation ( <i>Note</i> )	46,000,000	19.99%
Foxconn Holding Limited ("Foxconn")	Beneficial owner	46,000,000	19.99%

*Note:* Hon Hai owns 100% interest in Foxconn and is accordingly deemed to be interested in those ordinary shares of the Company beneficially owned by Foxconn.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2003.

## ▣ CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Save for those connected transactions for the year disclosed in note 33 to the financial statements,

- (i) there were no contracts of significance subsisted at any time during the year to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and
- (ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

# Directors' Report

In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the connected transactions set out in note 33 to the financial statements and, in their opinion, these transactions were entered into by the Group:

- (i) in the ordinary course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

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

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

## □ 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.

## □ DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$467,000.

## □ CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st December, 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## □ AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**YIM YUK LUN, STANLEY**

*CHAIRMAN AND MANAGING DIRECTOR*

Hong Kong, 23rd April, 2004