

# REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of KG NextVision Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 March 2003.

## Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

## Results

The Group’s loss for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 19 to 53.

## Summary financial information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 54. This summary does not form part of the audited financial statements.

## Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

## Share capital and share options

Details of the Company’s share capital and movements in the Company’s share options during the year, together with the reasons therefor, are set out in notes 20 and 21 to the financial statements, respectively.

## 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.

## REPORT OF THE DIRECTORS (Continued)

### **Purchase, redemption or sale of listed securities of the Company**

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

### **Reserves**

Details of movements in the reserves of the Company and the Group during the year are set out in note 22 to the financial statements and in the consolidated statement of changes in equity, respectively.

### **Distributable reserves**

As at 31 March 2003, the Company had no reserves available for distribution in accordance with the Companies Act 1981 of Bermuda (as amended).

### **Directors**

The directors of the Company during the year were:

#### **Executive directors:**

Dr. Jeffrey Len-Song KOO (*Chairman*)

Mr. Jeffrey John Leon KOO, Jr.

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

Mr. Chin Yao LIN

Mr. Bernard King Bong LEUNG

Subsequent to the balance sheet date, on 26 June 2003, Mr. Henry Hung CHEN and Miss Wing Yan AU were appointed as directors of the Company and Dr. Jeffrey Len-Song KOO and Mr. Jeffrey John Leon KOO, Jr. resigned as directors of the Company.

In accordance with 101 and 110(A) of the Company's bye-laws, Mr Henry Hung CHEN and Miss Wing Yan AU, who were appointed by the Board subsequent to the balance sheet date, and Mr Chin Yao LIN, director of the Company, will retire at the forthcoming 2003 Annual General Meeting and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting. The remaining director will continue in office.

## REPORT OF THE DIRECTORS (Continued)

### Directors' biographies

Biographical details of the directors of the Company are set on page 7 of the Annual Report.

### Directors' service contracts

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 of compensation, other than statutory compensation.

### Directors' interests in contracts

No director had a material interest in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year.

### Directors' interests in shares

As at 31 March 2003, 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:

#### Ordinary shares of the Company

Director	Type of interest	Number of ordinary shares of the Company
Dr. Jeffrey Len-Song KOO	Corporate ( <i>Note</i> )	1,795,000,000
Mr. Chin Yao LIN	Personal	3,242,000

*Note:* These shares are owned by KG NextVision Corporation, the Company's ultimate holding company. Dr. Jeffrey Len-Song KOO has a 100% beneficial interest in Mastiff International Limited, which owns 100% interest in KG NextVision Corporation.

Other than certain nominee shares in subsidiaries held by the directors in trust for the Company, no directors have any interest in the share capital of the Company's subsidiaries.

## REPORT OF THE DIRECTORS (Continued)

### Directors' interests in Shares (continued)

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 SDI Ordinance.

### Directors' rights to acquire shares

Apart from as disclosed in the share option scheme disclosures in note 21 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### Share option scheme

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option scheme have been moved to note 21 to the financial statements.

### Substantial shareholders

At 31 March 2003, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of the Company's issued share capital
KG NextVision Corporation	1,795,000,000	74.79

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

## REPORT OF THE DIRECTORS (Continued)

### Connected transactions

Details of the connected transactions are included in note 25 to the financial statements.

### 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 Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), throughout the accounting period covered by the annual report, except that the 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 in accordance with the bye-laws of the Company.

### Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors 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

**Henry H. CHEN**

*Chairman*

Taipei, 28 July 2003