

The directors of the Company have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st March, 2003.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries during the year were property investment and development in the Mainland China.

### **RESULTS**

The results of the Group for the year ended 31st March, 2003 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 19 to 48.

### **DIVIDEND**

The directors do not recommend the payment of a dividend and proposed that the profit for the year be retained.

### **SHARE CAPITAL**

Details of the share capital of the Company are set out in note 20 to the financial statements. There was no movement in the Company's share capital during the year.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 10 to the financial statements.

### **MAJOR PROPERTIES**

Particulars of the Group's major properties for development and completed properties for sale are set out on page 49.

### **RESERVES**

Details of movements in the reserves of the Group and the Company during the year are set out in note 21 to the financial statements.

## **Directors' Report**

### **DONATIONS**

During the year, the Group has not made charitable and other donations (2002: HK\$73,600).

### **FIVE YEAR FINANCIAL SUMMARY**

A five year financial summary of the Group is set out on pages 50 to 51.

### **DIRECTORS**

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

#### **Executive Directors**

Mr. Lee Lap  
Mdm. Leung Lai Ping  
Mr. Wong Shiu Kee

#### **Independent Non-Executive Directors**

Dr. Lee Tung Hai, Leo, G.B.S., LL.D., J.P.  
Mr. Lee Ka Sze, Carmelo

In accordance with the Company's Bye-laws, Mdm. Leung Lai Ping shall retire from the board by rotation at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

### **DIRECTORS' SERVICE CONTRACTS**

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

### BIOGRAPHICAL DETAILS OF DIRECTORS

#### Executive Directors

**Mr. Lee Lap**, aged 60, is the Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has been actively involved in the printed circuit board and electronics industry in Hong Kong since 1968. Mr. Lee is responsible for overall policy and decision making and business development of the Group. Mr. Lee is an honorary citizen of Zhongshan, Shenzhen and Guangzhou in the PRC.

**Madam Leung Lai Ping**, aged 54, is the wife of Mr. Lee Lap. She has been involved in overall policy and decision making and general administration of the Group since 1968.

**Mr. Wong Shiu Kee**, aged 39, is the Finance Director of the Company. He first joined the Company in 1991 and rejoined the Company in October, 2000. With over 17 years of experience in financial management, he is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants, and is also a qualified Chartered Secretary designated as ACIS and ACS.

#### Independent Non-executive Directors

**Dr. Lee Tung Hai, Leo**, G.B.S., LL.D., J.P., aged 81, is the Chairman of Tung Tai Group of Companies and a non-executive director of several public listed companies in Hong Kong, including Beijing Enterprises Holdings Limited. He is a member of a number of public services committees and heads many social service organizations, including as an Adviser of the Advisory Board of the Tung Wah Group of Hospitals, Chairman of Association of Chairmen of Tung Wah Group of Hospitals, Chairman of Friends of Hong Kong Association and Vice President of the China Overseas Friendship Association. Dr. Lee served as a Standing Committee Member of the eighth and ninth National Committee of the Chinese People's Political Consultative Conference; an Adviser on Hong Kong Affairs to Hong Kong & Macau Affairs Office of the State Council and Xinhua News Agency, Hong Kong Branch; a member of the Preparatory Committee for the Hong Kong Special Administrative Region; and a member of the Hong Kong Special Administrative Region Selection Committee. He has been honoured with awards by different governments, which include Cavaliere di Gran Croce of Italy, O.B.E. of Great Britain, Chevalier Legion d'Honneur of France, Commandeur de l'Ordre de Leopold II of Belgium and Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Dr. Lee has over 40 years of experience in business management.

**Mr. Lee Ka Sze, Carmelo**, aged 43, has been an independent non-executive director of the Company since March, 1997. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and a partner of Woo, Kwan, Lee & Lo.

## Directors' Report

### SENIOR MANAGEMENT

The directors are closely involved in and are directly responsible for all activities of the Group. The board of directors considers that only the above-mentioned three Executive Directors are regarded as members of the Group's senior management.

### EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of directors and senior employees are set out in note 9 to the financial statements.

### PARTICULARS OF INTERESTS IN SECURITIES HELD BY DIRECTORS, CHIEF EXECUTIVES AND THEIR ASSOCIATES

As at 31st March, 2003, the beneficial interests of the Company's directors, chief executives and their associates in the shares of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

(a) **Interests in shares of the Company**

Name of directors	Number of ordinary shares of HK\$0.08 each held			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. Lee Lap	37,500,000	–	884,752,780	–
Mdm. Leung Lai Ping	37,500,000	884,752,780	–	–

Mr. Lee Lap and his spouse, Mdm. Leung Lai Ping, are the beneficial owners of the issued share capital of Lee & Leung (B.V.I.) Limited. The shares included under family interest and corporate interest refer to the shares held by Lee & Leung (B.V.I.) Limited.

**PARTICULARS OF INTERESTS IN SECURITIES HELD BY DIRECTORS, CHIEF EXECUTIVES AND THEIR ASSOCIATES (continued)**

**(b) Interests in shares of associated corporations**

Name of directors	Name of subsidiary	Number of non-voting deferred shares held
Mr. Lee Lap	Applied Industrial Company Limited	1,000
	Lee Plastics Manufacturing Company Limited	250,000
	Magnetic Electronics Limited	5,000
	Termbray Electronics Company Limited	7,000
Mdm. Leung Lai Ping	Applied Industrial Company Limited	1,500
	Lee Plastics Manufacturing Company Limited	250,000
	Termbray Electronics Company Limited	3,000

**(c) Interests in share options granted by the Company**

Name of directors	Number of share options held at 1st April, 2002 and 31st March, 2003 <i>(Note)</i>
Mr. Lee Lap	30,000,000
Mdm. Leung Lai Ping	30,000,000

*Note:* These share options were granted at an aggregate consideration of HK\$2 on 31st August, 2001 under the share option scheme approved by the shareholders of the Company on 22nd August, 2001 and are exercisable at HK\$0.261 per share at any time between 1st October, 2001 and 30th September, 2006.

Apart from the share option scheme of the Company, 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.

Saved as disclosed herein and except for shares in the subsidiaries held by a director in trust for their immediate holding companies, as at 31st March, 2003, none of the directors or chief executive of the Company had any interest in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

## **Directors' Report**

### **DIRECTORS' INTERESTS IN CONTRACTS**

During the year, the Group had entered into transactions with Panda Investment Company Limited ("Panda Investment") as described in note 27 to the financial statements. Mr. Lee Lap and Mdm. Leung Lai Ping have controlling interests in Panda Investment.

Save as aforementioned, no other contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party or were parties 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' INTEREST IN COMPETING BUSINESS**

Pursuant to paragraph 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company discloses that Mr. Lee Lap and Mdm. Leung Lai Ping are interested in companies engaged in property investment and development in Mainland China and Hong Kong ("Competing Business").

The board of directors of the Company has established procedures to identify any conflict of interest due to the interests of Mr. Lee Lap and Mdm. Leung Lai Ping. If conflict of interest arises, Mr. Lee Lap and Mdm. Leung Lai Ping will abstain from participating in making any decision. The Group is therefore capable of carrying on its business independently of, and at arm's length from the Competing Business.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

**SUBSTANTIAL SHAREHOLDERS**

As at 31st March, 2003, the shareholders interested in 10% or more of the issued share capital of the Company as recorded in the register kept under Section 16(1) of the SDI Ordinance were as follows:

Name of shareholders	Number of ordinary shares of HK\$0.08 each held
Mr. Lee Lap	922,252,780
Mdm. Leung Lai Ping	922,252,780
Lee & Leung (B.V.I.) Limited*	884,752,780

\* Lee & Leung (B.V.I.) Limited is beneficially owned by Mr. Lee Lap and his spouse, Mdm. Leung Lai Ping, and its interest in the issued share capital of the Company is included in the interests held by Mr. Lee Lap and Mdm. Leung Lai Ping respectively.

**SHARE OPTION SCHEME**

A share option scheme of the Company was adopted on 22nd August, 2001 as an incentive to the employees of the Group. The directors may, at their discretion, invite full time employees including executive directors of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the directors which will be the higher of a price being not less than 80% of the average closing prices of the shares of the Company on the five trading days immediately preceding the date on which the option is offered or the nominal value of a share. The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised or cancelled and shares in respect of which any options remain outstanding) under the scheme and any other share option schemes will not exceed 10% of the issued share capital of the Company from time to time, excluding any shares issued on exercise of options granted pursuant to the scheme. No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares, exceeding 25% of the aggregate number of shares for the time subject to the scheme. The offer of a grant of share option may be accepted within 28 days from the date of offer with a payment of nominal consideration of HK\$1.00 by the grantee. Each option gives the holder the right to subscribe for one share at the relevant exercise price. The exercisable period of an option should not exceed a period of five years commencing on the expiry of a period of not less than one month after the option is accepted. Full amount of the subscription price of the share must be paid upon the exercise of options.

The scheme will remain in force for a period of ten years commencing on 22nd August, 2001.

## Directors' Report

### SHARE OPTION SCHEME (continued)

The Stock Exchange of Hong Kong Listed ("the Stock Exchange") amended the rules for share option schemes under the Listing Rules. The new requirements have become effective from 1st September, 2001 and render some of the provisions of the Company's share option scheme, including the basis of determining the subscription price, no longer applicable. According to the Listing Rules, the subscription price of the options will be determined as the highest of (i) the nominal value of the shares of Company, (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option, and (iii) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option. Unless approved by shareholders of the Company in the manner as set out in the Listing Rules, the total number of shares issued and to be issued upon exercise of the options granted to each employee (other than directors of the Group), including both exercised and outstanding options, in any 12 months period must not exceed 1% of the shares of the Company in issue.

On 31st August, 2001, the directors granted pursuant to the scheme to each of Mr. Lee Lap and Mdm. Leung Lai Ping, both being directors of the Company, options to subscribe for 30,000,000 shares at an exercise price of HK\$0.261 per share to be exercisable at any time between 1st October, 2001 to 30th September, 2006.

During the year, no option was granted, exercised, lapsed or cancelled pursuant to the scheme. All the said options granted under the scheme to subscribe for a total of 60,000,000 shares, remained outstanding as at 31st March, 2003.

### PROVIDENT FUND SCHEME

The Group has a mandatory provident fund scheme ("MPF Scheme") managed by a banking group. All staff employed in Hong Kong joined the MPF Scheme. The MPF Scheme is a defined contribution scheme and the assets of which are held separately from those of the Group in independently administered funds. Both the employer and the employees are required to make mandatory contributions to the MPF Scheme calculated at 5% of the employees' monthly relevant income, subject to the rules and regulations of the Mandatory Provident Fund Schemes Ordinance.



**PROVIDENT FUND SCHEME (continued)**

The contributions made by the Group charged to the income statement in respect of the year are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Gross employers' contributions	118	119
<i>Less:</i> Forfeited contributions	-	-
Net contributions	<b>118</b>	<b>119</b>

As at 31st March, 2003, the Group had no forfeited contributions (2002: Nil) available to offset future employers' contributions to the MPF Scheme.

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

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

**PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no statutory restrictions against such rights under the laws in Bermuda.

**CORPORATE GOVERNANCE**

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

In addition, the Company has established an Audit Committee comprising the two independent non-executive directors for review and supervision of the Group's financial reporting process and internal controls.

**AUDITORS**

The financial statements for the three years ended 31st March, 2003 were audited by Messrs. Deloitte Touche Tohmatsu. A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board  
**Lee Lap**  
*Chairman & CEO*

Hong Kong, 11th July, 2003