

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are the manufacture and sale of electronic components, including double-sided and multi-layered printed circuit boards, liquid crystal displays and magnetic products, and the provision of information technology consultancy and software development services. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 37 to 84.

An interim dividend of 1.5 Hong Kong cents per ordinary share was paid on 28 March 2003.

The directors recommend the payment of a final dividend of 1.5 Hong Kong cents per ordinary share in respect of the year to shareholders whose names appear on the registers of members on 3 November 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 5. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 23 and 24 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 30 June 2003, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$440,057,000, of which HK\$17,904,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$51,470,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$231,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 38% of the total sales for the year and sales to the largest customer included therein amounted to 13%. Purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

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

Executive directors:

Thomas TANG Koon Yiu (appointed as Chairman and Managing Director on 26 March 2003)
Canice CHUNG Tai Keung

Non-executive directors:

David SO Cheung Sing (re-designated from Chairman, Chief Managing Director and Executive Director with effect from 26 March 2003)
Marcus TSANG Ming Pui (re-designated from Deputy Chairman, Managing Director and Executive Director with effect from 26 March 2003)
Wilson TAM Kam Ho (re-designated from Deputy Chairman, Managing Director and Executive Director with effect from 26 March 2003)
Johnny NG Ho Kin (re-designated from Executive Director with effect from 26 March 2003)

Independent non-executive directors:

Peter LEE Yip Wah
Eugene LEE
Kenneth SHIM Hing Choi (appointed on 1 March 2003)

In accordance with the Company's bye-law 107(A), Mr. David SO Cheung Sing and Mr. Marcus TSANG Ming Pui will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The appointments of Mr. Peter LEE Yip Wah and Mr. Eugene LEE as independent non-executive directors of the Company expired on 31 March 2003 and 12 May 2003 respectively, and they were re-appointed with effect from 1 April 2003 and 13 May 2003 respectively.

In accordance with the Company's bye-law 98, Mr. Thomas TANG Koon Yiu, Mr. Peter LEE Yip Wah, Mr. Eugene LEE and Mr. Kenneth SHIM Hing Choi will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BRIEF BIOGRAPHICAL INFORMATION ON DIRECTORS**Directors****Thomas TANG Koon Yiu**

Thomas TANG Koon Yiu, aged 55, joined the Elec & Eltek Group as Chairman and Managing Director on 26 March 2003. Together with other board members, he is responsible for setting the Group's mission and objectives, and developing business and management strategies. Prior to this appointment, he was the Executive Director of Hong Kong Productivity Council ("HKPC") since 1997. Mr. TANG is an industrialist with profound experience in diverse industries such as computers and computer peripherals, critical components, office automation, consumer electronics, metals and plastics and was Managing Director and President of various local and multinational corporations before joining HKPC.

Mr. TANG was awarded the Young Industrialist Award in 1990 and the Outstanding PolyU Alumni Award in 2001. He currently serves in various professional and industry associations and universities. Mr. TANG holds a Master of Science degree in Industrial Engineering & Administration.

Canice CHUNG Tai Keung

Canice CHUNG Tai Keung, aged 48, joined the Elec & Eltek Group in 1991. In his capacity as an Executive Director of the Company and Chief Executive Officer of the printed circuit board business, he is responsible for the financial and administrative functions of the Group as well as the overall operations of the printed circuit board business. Together with other board members, he is also responsible for setting the Group's mission and objectives, and developing business and management strategies.

Mr. CHUNG is a director of Elec & Eltek Investments Limited which is a substantial shareholder of the Company. Mr. CHUNG is the Vice Chairman of Hong Kong Printed Circuit Association Limited which aims at promoting and protecting the rights and interests of the printed circuit industry.

David SO Cheung Sing

David SO Cheung Sing, aged 61, is one of the founders of the Elec & Eltek Group and the former Chairman, Chief Managing Director and Executive Director of the Company. Mr. SO is now a Non-Executive Director and Senior Consultant of the Company, responsible for giving advice and guidance on the strategic thinking and direction of the Company.

Mr. SO is also a director of Elec & Eltek Investments Limited which is a substantial shareholder of the Company.

Mr. SO is now the Honorary Chairman of Hong Kong Critical Components Manufacturers Association, the Permanent Honorary President of Friends of Hong Kong Association Limited and a director of The Chinese Manufacturer's Association of Hong Kong.

BRIEF BIOGRAPHICAL INFORMATION ON DIRECTORS (continued)

Directors (continued)

Marcus TSANG Ming Pui

Marcus TSANG Ming Pui, aged 63, is one of the founders of the Elec & Eltek Group and the former Deputy Chairman, Managing Director and Executive Director of the Company. Mr. TSANG is now a Non-Executive Director and Senior Consultant of the Company, responsible for giving advice and guidance on the strategic thinking and direction of the Company.

Mr. TSANG is also a director of Elec & Eltek Investments Limited which is a substantial shareholder of the Company.

Wilson TAM Kam Ho

Wilson TAM Kam Ho, aged 61, is one of the founders of the Elec & Eltek Group and the former Deputy Chairman, Managing Director and Executive Director of the Company. Mr. TAM is now a Non-Executive Director and Senior Consultant of the Company, responsible for giving advice and guidance on the strategic thinking and direction of the Company.

Mr. TAM is also a director of Elec & Eltek Investments Limited which is a substantial shareholder of the Company.

Johnny NG Ho Kin

Johnny NG Ho Kin, aged 56, joined the Elec & Eltek Group in 1972 and is the former Executive Director of the Company and Senior Vice President - Corporate Control and Audit of the printed circuit board business. Mr. NG is now a Non-Executive Director and Senior Consultant of the Company, responsible for giving advice and guidance on the strategic thinking and direction of the Company.

Mr. NG is also a director of Elec & Eltek Investments Limited which is a substantial shareholder of the Company.

Peter LEE Yip Wah

Peter LEE Yip Wah, aged 61, has been an Independent Non-executive Director of the Company since 1 April 1997. He is responsible for giving advice and guidance on the strategic thinking and direction of the Company. Mr. LEE is a practising solicitor, a China-appointed attesting officer and a partner of Messrs. Woo, Kwan, Lee & Lo. He is also a non-executive director of a number of listed companies in Hong Kong, including China Merchants Holdings (International) Company Limited and Cosco Pacific Limited.

BRIEF BIOGRAPHICAL INFORMATION ON DIRECTORS (continued)**Directors (continued)****Eugene LEE**

Eugene LEE, aged 54, has been an Independent Non-executive Director of the Company since 13 May 1997. He is responsible for giving advice and guidance on the strategic thinking and direction of the Company. Mr. LEE has been engaged in merchant banking, finance and securities in Asia, the Europe and the United States of America for over 20 years.

Kenneth SHIM Hing Choi

Kenneth SHIM Hing Choi, aged 52, was appointed an Independent Non-Executive Director of the Company by the Board of Directors on 1 March 2003. He is responsible for giving advice and guidance on the strategic thinking and direction of the Company. Mr. SHIM is a veteran banker with over 32 years of experience in commercial banking. He is the Vice-President & Team Manager of Sales & Distribution Enterprise Banking in DBS Bank (Hong Kong) Limited.

The biographical information of the Group's senior management is not shown because the directors consider that this would result in particulars of excessive length.

DIRECTORS' SERVICE CONTRACTS

The Company had entered into an employment agreement with Mr. Thomas TANG Koon Yiu to appoint him as (i) the Chairman of the Board and Managing Director of the Company and (ii) the Chairman of the Board and Managing Director of Elec & Eltek International Company Limited, a subsidiary of the Company, for a term of 3 years commencing on 26 March 2003. The employment agreement will be extended automatically to a date to be agreed between the Company and Mr. Thomas TANG Koon Yiu if the two parties do not raise any objection 6 months prior to the expiry of the initial term of 3 years.

Each of Mr. David SO Cheung Sing, Mr. Marcus TSANG Ming Pui, Mr. Wilson TAM Kam Ho, Mr. Johnny NG Ho Kin and Mr. Canice CHUNG Tai Keung has a service contract with Elec & Eltek Corporate Services Limited, a wholly-owned subsidiary of the Company. Each of such service contracts will continue in force until terminated by not less than six months' written notice by either party.

Apart from the foregoing, 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, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, Elec & Eltek Corporate Services Limited, a wholly-owned subsidiary of the Company, received management fees of HK\$150,000 from each of Elec & Eltek Holding Company Limited and Elec & Eltek Investments Limited, companies in which Messrs. David SO Cheung Sing, Marcus TSANG Ming Pui, Wilson TAM Kam Ho and Johnny NG Ho Kin had direct or indirect beneficial interests at the balance sheet date.

Except as disclosed above, none of the directors had beneficial interests in any material contract to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2003, the interests and short positions of the directors and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of the 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 (the "Model Code") were as follows :

1. Interests in shares

Name of director	Number of ordinary shares of HK\$0.10 each in the Company			Percentage of the Company's issued share capital
	Personal	Family	Total	
Thomas TANG Koon Yiu	–	975,000	975,000	0.08%
David SO Cheung Sing	–	22,636,800	22,636,800	1.90%
Marcus TSANG Ming Pui	27,632,775	–	27,632,775	2.32%
Wilson TAM Kam Ho	12,200,000	–	12,200,000	1.02%
Johnny NG Ho Kin	13,878,104	415,800	14,293,904	1.20%
Kenneth SHIM Hing Choi	240,000	–	240,000	0.02%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

1. Interests in shares (continued)

As at 30 June 2003, certain of the directors also held shares in Elec & Eltek International Company Limited ("EEICL"), a subsidiary of the Company, the shares of which are listed on Singapore Exchange Securities Trading Limited, as follows:

Name of director	Number of ordinary shares of S\$0.80 each in EEICL			Percentage of EEICL's issued share capital
	Personal	Family	Total	
Canice CHUNG Tai Keung	1,564,800	–	1,564,800	1.07%
Marcus TSANG Ming Pui	–	540,000	540,000	0.37%
Wilson TAM Kam Ho	–	300,000	300,000	0.21%
Johnny NG Ho Kin	386,400	–	386,400	0.26%

2. Interests in underlying shares

(a) Directors' interests in share options of the Company

As at 30 June 2003, certain of the Company's directors held share options of the Company and particulars of those outstanding share options granted under the Scheme as defined in note 24 to the financial statements were as follows:

Name of director	Date of grant	Exercise period	Subscription price HK\$	Number of outstanding share options			At end of the year	Closing price preceding the date of grant HK\$	Weighted average closing price immediately preceding the date of exercise* HK\$
				At beginning of the year	Granted during the year	Exercised during the year			
Thomas TANG Koon Yiu	7 May 2003	7 May 2005 to 6 May 2006	1.13	–	5,500,000	–	5,500,000	1.13	–
		7 May 2006 to 6 May 2007	1.13	–	5,500,000	–	5,500,000	1.13	–

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

2. Interests in underlying shares (continued)

(a) Directors' interests in share options of the Company (continued)

Name of director	Date of grant	Exercise period	Subscription price HK\$	Number of outstanding share options			At end of the year	Weighted average closing price	
				At beginning of the year	Granted during the year	Exercised during the year		Closing price immediately preceding the date of grant HK\$	Weighted average closing price immediately preceding the date of exercise* HK\$
Canice CHUNG Tai Keung	30 July 2002	30 January 2003 to 29 July 2004	0.91	–	5,000,000	–	5,000,000	0.88	–
David SO Cheung Sing	30 July 2002	30 January 2003 to 29 July 2004	0.91	–	5,000,000	–	5,000,000	0.88	–
Marcus TSANG Ming Pui	30 July 2002	30 January 2003 to 29 July 2004	0.91	–	5,000,000	(5,000,000)	–	0.88	1.16
Wilson TAM Kam Ho	30 July 2002	30 January 2003 to 29 July 2004	0.91	–	5,000,000	(5,000,000)	–	0.88	1.16
Johnny NG Ho Kin	30 July 2002	30 January 2003 to 29 July 2004	0.91	–	5,000,000	–	5,000,000	0.88	–
Peter LEE Yip Wah	30 July 2002	30 January 2003 to 29 July 2004	0.91	–	5,000,000	–	5,000,000	0.88	–
Eugene LEE	30 July 2002	30 January 2003 to 29 July 2004	0.91	–	5,000,000	–	5,000,000	0.88	–
				–	46,000,000	(10,000,000)	36,000,000		

* The price of the Company's shares disclosed is the Stock Exchange weighted average closing prices on the trading days immediately prior to the date of exercise over all of the exercises of share options within the disclosure category.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

2. Interests in underlying shares (continued)

(b) Directors' interests in share options of EEICL

As at 30 June 2003, certain of the Company's directors held share options of EEICL and particulars of those outstanding share options granted under the 2002 EEICL Scheme and the Previous EEICL Schemes as defined in note 24 to the financial statements were as follows:

Name of director	Date of grant	Exercise period	Subscription price US\$	Number of outstanding share options			At end of the year	Closing price immediately preceding the date of grant US\$
				At beginning of the year	Granted during the year	Lapsed during the year		
Thomas TANG Koon Yiu	7 May 2003	8 May 2005 to 6 May 2006	1.450	–	700,000	–	700,000	1.86
		8 May 2006 to 6 May 2007	1.450	–	700,000	–	700,000	1.86
				–	1,400,000	–	1,400,000	
Canice CHUNG Tai Keung	9 April 1998*	10 April 1999 to 8 April 2003	4.833	135,600	–	(135,600)	–	–
	19 April 1999*	20 April 2000 to 18 April 2004	3.100	156,000	–	–	156,000	–
				291,600	–	(135,600)	156,000	
Johnny NG Ho Kin	9 April 1998*	10 April 1999 to 8 April 2003	4.833	120,000	–	(120,000)	–	–
	19 April 1999*	20 April 2000 to 18 April 2004	3.100	120,000	–	–	120,000	–
				240,000	–	(120,000)	120,000	
				531,600	1,400,000	(255,600)	1,676,000	

* The outstanding options were granted under the Previous EEICL Schemes as defined in note 24 to the financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

2. Interests in underlying shares (continued)

(b) Directors' interests in share options of EEICL (continued)

Save as disclosed above, 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 directors or their respective associates, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Except as disclosed above and under the heading "Substantial shareholders" below, at the balance sheet date, none of the directors and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 Group's share option schemes have been moved to note 24 to the financial statements.

Concerning the share options granted during the year to the directors and employees as detailed in note 24 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the options granted because it would not be meaningful and may be misleading due to the absence of a readily available market value for such options.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the following persons had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Number of shares held	Percentage shareholding in the Company
Elec & Eltek Investments Limited ("EEIL")	521,921,359 <i>(Note 1)</i>	43.73%
Hallgain Management Limited ("HML")	293,974,000 <i>(Note 2)</i>	24.63%
Kingboard Chemical Holdings Limited ("KCHL")	293,974,000 <i>(Note 3)</i>	24.63%
Jamplan (BVI) Limited ("Jamplan")	142,375,000 <i>(Note 3)</i>	11.93%
Kingboard Investments Limited ("KIL")	82,645,000 <i>(Note 3)</i>	6.92%

SUBSTANTIAL SHAREHOLDERS (continued)

Notes

1. As at 30 June 2003, EEIL had beneficial interests in 521,921,359 shares in the Company. The shareholders of EEIL are as follows:

Name of shareholder	Percentage shareholding in EEIL
Plenty Gain Limited	30.97%
Champion Oriental Inc.	29.98%
Goldful Holdings Limited	29.98%
Expert Gold Inc.	9.07%
	100.00%

Plenty Gain Limited is ultimately 100% owned by a discretionary trust, the eligible beneficiaries of which include the family members of Mr. David SO Cheung Sing, other than Mr. David SO Cheung Sing himself.

Champion Oriental Inc. holds the shares of EEIL as trustee for a unit trust, of which 99.999948% of the units are owned by a discretionary trust, the eligible beneficiaries of which include the family members of Mr. Marcus TSANG Ming Pui, other than Mr. Marcus TSANG Ming Pui himself, with the remaining units being owned by Mr. Marcus TSANG Ming Pui directly.

Goldful Holdings Limited is ultimately 100% owned by a discretionary trust, the eligible beneficiaries of which include the family members of Mr. Wilson TAM Kam Ho, other than Mr. Wilson TAM Kam Ho himself.

Expert Gold Inc. holds the shares of EEIL as trustee for a unit trust, of which 99.99998% of the units are owned by a discretionary trust, the eligible beneficiaries of which include the family members of Mr. Johnny NG Ho Kin, other than Mr. Johnny NG Ho Kin himself.

2. HML was deemed to be interested in 293,974,000 shares in the Company owned by KCHL by virtue of its holding 37.13% interests in the issued share capital of KCHL.
3. KIL was a wholly-owned subsidiary of Jamplan which was a wholly-owned subsidiary of KCHL. Therefore, KCHL was deemed to be interested in 142,375,000 shares in the Company owned by Jamplan and Jamplan was deemed to be interested in 82,645,000 shares in the Company owned by KIL.

CONNECTED TRANSACTIONS

During the year, the Group had connected transactions as set out below:

- (1) During the period from 11 July 2002 to 23 April 2003, a number of transactions for the sale and purchase of raw materials relating to the manufacturing of printed circuit boards (the “Transactions”) were entered into between each of Kai Ping Elec & Eltek Company Limited, Kaiping Elec & Eltek No.2 Company Limited, Kaiping Elec & Eltek No.3 Company Limited (all three companies collectively the “Kaiping Companies”), Elec & Eltek (Thailand) Limited, Elec & Eltek (Guangzhou) Electronic Company Limited and Shenzhen Pacific Insulating Materials Co., Ltd., all of which are indirect and non-wholly owned subsidiaries of the Company (all collectively “Group Subsidiaries”), on the one hand and KCHL, a substantial shareholder of the Company, and/or certain of its subsidiaries as the case may be, (collectively the “KCHL Companies”) on the other hand. The directors were of the view that the raw materials provided by the KCHL Companies at competitive prices could reduce the costs of printed circuit boards manufactured by the Group Subsidiaries. The Transactions involved an aggregate consideration of HK\$14,702,743, which was determined with reference to the prevailing market prices. One of the Transactions entered into on 28 January 2003 between Elec & Eltek (Guangzhou) Electronic Company Limited and KCHL involved a consideration of HK\$1,256,394.
- (2) During March 2003, each of the Kaiping Companies entered into a sub-contracting arrangement individually with Kingboard Laminates (Jiangmen) Co. Ltd., a subsidiary of KCHL, to sub-contract the drilling process in the manufacturing of printed circuit boards. The directors were of the view that by entering into the sub-contracting arrangement, the Kaiping Companies were able to gear up for the sudden surge in the demand for printed circuit boards. The total consideration, which was determined with reference to the prevailing market price, involved under the sub-contracting arrangement was HK\$1,603,207.

The Transactions, the aforesaid individual Transaction and the sub-contracting arrangement all constituted connected transactions of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Hong Kong Listing Rules”).

AUDIT COMMITTEE

Pursuant to the terms of reference of the Company’s Audit Committee, which was set up on 30 June 1999, meetings were held on 25 February 2003 to review the interim financial statements of the Group and on 6 September 2003 to review the financial statements of the Group for the financial year ended 30 June 2003. On 25 March 2003, Mr. Kenneth SHIM Hing Choi was appointed a member of the Audit Committee in addition to the current members, Mr. Peter LEE Yip Wah and Mr. Eugene LEE.

NOMINATION COMMITTEE

The Nomination Committee is responsible for monitoring the performance of directors and making recommendations to the Board for the appointment or re-appointment and/or removal of directors. It comprises two independent non-executive directors, Mr. Kenneth SHIM Hing Choi (who chairs the Committee) and Mr. Peter LEE Yip Wah and one non-executive director, Mr. Wilson TAM Kam Ho. The Committee has met twice since its establishment on 25 March 2003.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for reviewing, evaluating and recommending the remuneration packages for directors and key executives. It comprises two independent non-executive directors, Mr. Kenneth SHIM Hing Choi (who chairs the Committee) and Mr. Peter LEE Yip Wah and one non-executive director, Mr. Johnny NG Ho Kin. The Committee has met twice since its establishment on 25 March 2003.

STRATEGIC COMMITTEE

The Strategic Committee is responsible for assisting the Board in reviewing and evaluating issues and proposals that concern overall Group business, policies and investment matters. It comprises one independent non-executive director, Mr. Eugene LEE (who chairs the Committee) and three non-executive directors, Mr. David SO Cheung Sing, Mr. Marcus TSANG Ming Pui and Mr. Wilson TAM Kam Ho. The Committee has met once since its establishment on 25 March 2003.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group is set out in note 31 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Hong Kong Listing Rules throughout the accounting period covered by this 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 Company’s by-laws.

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



Thomas Tang Koon Yiu
Chairman and Managing Director

Hong Kong
10 September 2003