

Report of the Directors

The directors have pleasure in submitting to shareholders their report and statement of accounts for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associated companies are shown on pages 71 to 74.

The analysis of the turnover and results by principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated profit and loss account on page 29.

There was no transfer from accumulated profit (2002: Nil) to capital redemption reserve during the year.

DIVIDENDS

No interim dividend for the year ended 31 December 2003 was paid and the directors recommend the declaration of a final dividend at the rate of HK1.7 cents per share payable on 21 May 2004 to all persons registered as holders of the Company's shares on 20 May 2004. The Register of Members will be closed from 13 May 2004 to 20 May 2004, both days inclusive.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 26 to the accounts and the consolidated statement of changes in equity on pages 34 and 35, respectively.

CHARITABLE DONATIONS

Donations to charitable organisations by the Group during the year amounted to HK\$70,000 (2002: HK\$20,000).

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FIXED ASSETS

Particulars of the movements of fixed assets are set out in note 12 to the accounts.

PROPERTIES

Particulars of the major properties of the Group are set out on pages 76 to 78.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 to the accounts.

DIRECTORS

The board of directors as at 31 December 2003 comprises Messrs. Fok Kin-ning, Canning, Lai Kai Ming, Dominic, Luk Tei, Lewis, Ko Yuet Ming, Chow Woo Mo Fong, Susan, Chow Wai Kam, Raymond, Edith Shih, Chan Wen Mee, May (Michelle), Endo Shigeru, Cheung Wing Han, Miranda, Tam Yue Man, Ronald Joseph Arculli and Cheng Ming Fun, Paul.

In accordance with bye-law 112(A) of the Company, Messrs. Chow Wai Kam, Raymond, Ronald Joseph Arculli and Cheng Ming Fun, Paul will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

INTEREST IN CONTRACTS

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACT

With respect to the directors proposed for re-election at the forthcoming annual general meeting, there is no unexpired directors' service contract which is not terminable by the Company within one year.

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DIRECTORS' EMOLUMENTS

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of the directors of the Company are as follows:

Name of Director	Basic Salaries, Allowances and Benefits- in-kind		Discretionary Bonus	Provident Fund Contributions	Inducement or Compen- sation Fees	Total Emoluments
	Fees					
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Fok Kin-ning, Canning	38,000	—	—	—	—	38,000
Lai Kai Ming, Dominic	38,000	—	—	—	—	38,000
Luk Tei, Lewis	—	2,265,200	700,000	97,080	—	3,062,280
Ko Yuet Ming	—	2,520,000	1,380,000	108,000	—	4,008,000
Chow Woo Mo Fong, Susan	38,000	—	—	—	—	38,000
Chow Wai Kam, Raymond	38,000	—	—	—	—	38,000
Edith Shih	38,000	—	—	—	—	38,000
Chan Wen Mee, May (Michelle)	38,000	—	—	—	—	38,000
Endo Shigeru	38,000	—	—	—	—	38,000
Cheung Wing Han, Miranda	—	2,295,800	559,400	148,320	—	3,003,520
Tam Yue Man	—	2,296,000	700,000	98,400	—	3,094,400
Ronald Joseph Arculli	50,000	—	—	—	—	50,000
Cheng Ming Fun, Paul	50,000	—	—	—	—	50,000
Total	366,000	9,377,000	3,339,400	451,800	—	13,534,200

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CONNECTED TRANSACTIONS

On 22 April 2003, Promising Land International Inc. ("Promising Land"), an indirect wholly owned subsidiary of Hutchison Whampoa Limited ("HWL") which is the holding company of the Company, exercised in full the warrants of the Company (the "Warrants") to subscribe for 1,022,000,000 new shares of HK\$0.10 each in the Company (the "New Shares") at HK\$0.39 per share for cash. The aggregate subscription price paid by Promising Land was HK\$398,580,000. Promising Land is a connected person for the Company by virtue of being a wholly owned subsidiary and therefore an associate of HWL. The allotment and issue of the New Shares to Promising Land constituted a connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Since June 2002, the Group commenced the supply of a range of products, i.e. plastic, fabric, electronics and paper products, moulds, premium products and mobile phone accessories (the "Existing Supplies") to HWL and its subsidiaries (collectively the "HWL group"). Such Existing Supplies constituted connected transactions for the Company under the Listing Rules. The Company made an application to The Stock Exchange of Hong Kong Limited (the "SEHK") for a waiver to disclose further Existing Supplies (the "Further Existing Supplies") by way of press announcement. On 25 November 2002, the SEHK granted to the Company a conditional waiver (the "Existing Waiver") in respect of Further Existing Supplies. On 31 July 2003, the Company and HWL jointly announced that the Group and the HWL group intended to continue to enter into contracts for the supply by the Group to the HWL group of a wider range of products and services which comprise plastic products, moulds, premium products, mobile phone accessories and related products, electronics and paper products, fabrics, garment and textile, footwear, toys and games, household, sports goods, beauty and health products, stationery, office supplies, fashion accessories (including bags and wallets), leather goods, gifts and novelties, pet products, food and beverage, fine art and collectibles, publishing products and audio and/or audio-visual products (the "Expanded Supplies").

On 31 July 2003, the Company and Hutchison International Limited ("HIL"), a wholly owned subsidiary of HWL, entered into a service agreement (the "Service Agreement") which set forth the terms and conditions under which HIL would continue to provide or procure HIL and its subsidiaries (collectively the "HIL group") to continue to provide administrative and support services to the Group. The HIL group had been providing certain administrative and support services to the Group in

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CONNECTED TRANSACTIONS (Continued)

connection with the operation of the Group's business since the third quarter of 2001 when the Company became a subsidiary of HWL. The Service Agreement was deemed to have commenced on 1 January 2003 and would expire on 31 December 2007. The services covered in the Service Agreement (the "Services") comprise administrative services (including legal and company secretarial support services, advisory and support services on fund raising and treasury matters, public relations support services and tax planning support services) and operation-related consultancy services (including operation review and ad hoc review of special projects). The parties agreed that the fee payable for the Services provided shall be of an amount equal to the cost to (including out-of-pocket expenses incurred by) the HIL group for the provision for the Services plus a margin of 10% per annum (or at such other reasonable margin rate or on such other reasonable basis as the parties may agree in writing) to cover overheads, clerical, general office support and other non-specific costs and expenses incurred by the HIL group in generating the Services. HIL is a connected person for the Company by virtue of being a wholly owned subsidiary and therefore an associate of HWL. The Service Agreement constituted a connected transaction for the Company under the Listing Rules.

On 28 August 2003, the Company applied to the SEHK for a new waiver from strict compliance with (i) the disclosure and independent shareholders' approval requirements in respect of the Expanded Supplies; and (ii) the requirements of disclosure by press announcement in respect of the provision of the Services. On 5 September 2003, the SEHK granted to the Company conditional waivers (the "New Waivers") from strict compliance with (i) the disclosure and independent shareholders' approval requirements as stipulated in Chapter 14 of the Listing Rules in connection with the Expanded Supplies on each occasion they arise for each of the three years ending 31 December 2005; and (ii) the requirements of disclosure by press announcement as set out in Rule 14.25(1) of the Listing Rules in connection with the Services on each occasion they arise, subject to the following conditions (the "Waiver Conditions"):

- (1) the Expanded Supplies and the Services (collectively the "Connected Transactions") shall be
 - (i) entered into by the Group in the ordinary and usual course of its business; (ii) entered into either (a) on normal commercial terms; or (b) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and (iii) carried out in accordance with the terms of the respective agreements governing such Connected Transactions; or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties;

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CONNECTED TRANSACTIONS (Continued)

- (2) the annual aggregate amount of the Connected Transactions shall not exceed the limits (the "Cap Amounts") set out below:
 - (a) in relation to the Expanded Supplies, the annual aggregate sales amounts of the Expanded Supplies provided by the Group to the HWL group shall not exceed 15% of the audited consolidated turnover of the Group for such financial year for each of the three years ending 31 December 2005; and
 - (b) in relation to the Services, the annual aggregate fee payable by the Group to the HIL group under the Service Agreement shall not exceed the higher of the HK\$10,000,000 or 3% of the net tangible assets of the Company as disclosed in its latest published consolidated accounts;
- (3) the independent non-executive directors of the Company shall review the Connected Transactions annually and confirm in the Company's annual report for the relevant financial year that the Connected Transactions are conducted in the manner as stated in paragraphs (1) and (2) above;
- (4) the auditors of the Company shall review the Connected Transactions annually and confirm in a letter to the board of directors of the Company, a copy of which shall be provided to the Listing Division of the SEHK, stating whether (i) the Connected Transactions have received the approval from the board of directors of the Company; (ii) the Connected Transactions have been carried out in accordance with the terms of the relevant agreements governing such Connected Transactions or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties; and (iii) the Cap Amounts have been exceeded; and
- (5) details of the Connected Transactions in each financial year as required under Rule 14.25(1)(A) to (D) of the Listing Rules shall be disclosed in the Company's annual report for the financial year concerned together with a statement of opinion of the independent non-executive directors referred in paragraph (3) above.

The SEHK reserves the right to revoke or modify any waiver granted by the New Waivers in the event of any change in the terms of the Connected Transactions for which such waivers were granted (including any extension or renewal of the agreements or arrangements evidencing such Connected Transactions) or in the circumstances under which such waivers were granted.

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CONNECTED TRANSACTIONS (Continued)

The Connected Transactions for the year ended 31 December 2003 (the "2003 Connected Transactions") comprised the following transactions:

- (a) the Expanded Supplies provided by the Group to the HWL group in respect of (i) 3G accessories for an aggregate sales amount of approximately HK\$62,693,670, (ii) cap covers for "Watsons Water" bottles for an aggregate sales amount of approximately HK\$9,047,466; and (iii) other items for an aggregate sales amount of approximately HK\$26,279,556; and
- (b) the Services provided by the HIL group to the Group for an aggregate fee amount of approximately HK\$2,200,000.

In satisfaction of one of the Waiver Conditions, all the independent non-executive directors have reviewed the 2003 Connected Transactions and confirm that:

- (a) the 2003 Connected Transactions have been (i) entered into by the Group in the ordinary and usual course of the business of the Group; (ii) entered into on normal commercial terms; and (iii) carried out in accordance with the terms of the respective agreements governing such 2003 Connected Transactions; and
- (b) the annual aggregate amounts of the 2003 Connected Transactions do not exceed the Cap Amounts.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules were as follows:

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(I) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares of the Company held	Approximate % of shareholding of the Company
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	5,000,000 (Note)	0.07%
Luk Tei, Lewis	Beneficial owner	Personal interest	4,630,000	0.07%
Ko Yuet Ming	(i) Beneficial owner (ii) Interest of spouse	(i) Personal interest (ii) Family interest	(i) 3,000,000) (ii) 84,000)	0.05%
Endo Shigeru	Beneficial owner	Personal interest	80,000	0.001%
Tam Yue Man	Beneficial owner	Personal interest	2,100,000	0.03%

Note : Such shares were held by a company which is equally owned by Mr. Fok Kin-ning, Canning and his spouse.

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations

(A) Long positions in the shares of HWL

Name of Director	Capacity	Nature of interests	Number of shares of HWL held	Approximate % of shareholding of HWL
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	2,110,875 (Note 1)	0.05%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	50,000	0.001%
Luk Tei, Lewis	Beneficial owner	Personal interest	22,270	0.0005%
Ko Yuet Ming	Interest of spouse	Family interest	16,000	0.0004%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	150,000	0.004%
Edith Shih	(i) Beneficial owner (ii) Interest of spouse	(i) Personal interest (ii) Family interest	(i) 27,200) (ii) 7,400)	0.0008%
Chan Wen Mee, May (Michelle)	Beneficial owner	Personal interest	5,000	0.0001%
Endo Shigeru	Beneficial owner	Personal interest	2,000	0.00005%
Cheung Wing Han, Miranda	Beneficial owner	Personal interest	12,000	0.0003%
Tam Yue Man	Beneficial owner	Personal interest	3,000	0.00007%
Ronald Joseph Arculli	Interest of a controlled corporation	Corporate interest	11,224 (Note 2)	0.0003%

Notes:

- Such shares in HWL were held by a company which is equally owned by Mr. Fok Kin-ning, Canning and his spouse.
- Such shares in HWL were held by a company which is beneficially owned by Mr. Ronald Joseph Arculli.

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations (Continued)

(B) Long positions in the shares, underlying shares and debentures of other associated corporations

As at 31 December 2003, Mr. Fok Kin-ning, Canning had the following interests:

- (i) interests in an aggregate of 2,574,001 ordinary shares and underlying shares in Hutchison Telecommunications (Australia) Limited ("HTAL") comprising :
 - (a) personal and corporate interests in 100,000 and 1,000,000 ordinary shares respectively which in aggregate represented approximately 0.16% of the then issued share capital of HTAL; and
 - (b) personal and corporate interests in 134,000 and 1,340,001 underlying shares respectively on conversion of the listed and physically settled 5.5% Unsecured Convertible Notes due 2007 issued by HTAL; and
- (ii) corporate interests in a nominal amount of EUR31,900,000 in the 5.875% Notes due 2013 issued by Hutchison Whampoa Finance (03/13) Limited.

Mr. Fok Kin-ning, Canning held the above personal interests in his capacity as a beneficial owner and held the above corporate interests through a company which is equally owned by Mr. Fok and his spouse.

Ms. Edith Shih had, as at 31 December 2003 (i) in her capacity as a beneficial owner personal interests in a nominal amount of US\$500,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited (the "HWI(03/13) Notes") and in a nominal amount of US\$300,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited (the "HWI(03/33) Notes"); and (ii) family interests in a nominal amount of US\$100,000 in the HWI(03/13) Notes and in a nominal amount of US\$100,000 in the HWI(03/33) Notes held by her spouse.

Save as disclosed above, as at 31 December 2003, none of the directors and chief executives of the Company and their respective associates had any interest or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the SEHK.

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INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to the directors and chief executives of the Company, as at 31 December 2003, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

(I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Long positions in the shares of the Company

<u>Name</u>	<u>Capacity</u>	<u>Number of shares of the Company held</u>	<u>Approximate % of shareholding of the Company</u>
Li Ka-shing	Founder of discretionary trusts and interest of controlled corporations	4,155,284,508 <i>(Notes 1&2)</i>	61.97%
Li Ka-Shing Unity Trustcorp Limited ("LKSUT")	Trustee and beneficiary of a trust	4,155,284,508 <i>(Notes 1&2)</i>	61.97%
Li Ka-Shing Unity Trustee Corporation Limited ("LKSUTC")	Trustee and beneficiary of a trust	4,155,284,508 <i>(Notes 1&2)</i>	61.97%
Li Ka-Shing Unity Trustee Company Limited ("LKSUTCO")	Trustee	4,155,284,508 <i>(Notes 1&2)</i>	61.97%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	4,155,284,508 <i>(Notes 1&2)</i>	61.97%
HWL	Interest of a controlled corporation	4,155,284,508 <i>(Note 1)</i>	61.97%
HIL	Interest of a controlled corporation	4,155,284,508 <i>(Note 1)</i>	61.97%
Promising Land	Beneficial Owner	4,155,284,508 <i>(Note 1)</i>	61.97%

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INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (Continued)

(II) Interests and short positions of other persons in the shares and underlying shares of the Company

Long positions in the shares of the Company

Name	Capacity	Number of shares of the Company held	Approximate % of shareholding of the Company
Acefield (B.V.I.) Limited ("Acefield")	Interest of controlled corporations	670,473,579 (Note 3)	9.99%
Reading Investments Limited ("Reading")	Beneficial owner	558,473,579 (Note 3)	8.33%

Notes:

- Promising Land is a wholly owned subsidiary of HIL, which in turn is a wholly owned subsidiary of HWL. By virtue of the SFO, HWL and HIL were deemed to be interested in the 4,155,284,508 shares of the Company held by Promising Land.*
- Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of LKSUTCO. LKSUTCO as trustee of The Li Ka-Shing Unity Trust, together with certain companies which LKSUTCO as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.*

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of LKSUTC as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and LKSUT as trustee of another discretionary trust ("DT2"). Each of LKSUTC and LKSUT holds units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Mr. Li Ka-shing being the settlor and may being regarded as a founder of DT1 and DT2 for the purpose of the SFO, LKSUT, LKSUTC, LKSUTCO and CKH was deemed to be interested in the 4,155,284,508 shares of the Company held by Promising Land.

- 558,473,579 shares and 112,000,000 shares of the Company were held by Reading and International Toys (B.V.I.) Limited, both of which are wholly owned by Acefield, respectively. By virtue of the SFO, Acefield was deemed to be interested in an aggregate of 670,473,579 shares of the Company.*

Saved as disclosed above, as at 31 December 2003, there was no other person (other than the directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2003 and up to the date of this report, the directors of the Company have interests in companies the businesses of which compete or are likely to compete, either directly or indirectly, with the businesses of the Company as required to be disclosed pursuant to Rule 8.10 of the Listing Rules, by virtue of either (i) their directorships in the following companies or a number (in excess of 100) of associated companies of the Company or its holding company or other companies in which the Company or its holding company has less than 20% shareholding interest, as a result of their nomination by the Company or its holding company to the board of such companies; or (ii) their deemed interests in the following companies:

Name	Name of company	Nature of competing business
Luk Tei, Lewis	Fill Sales Services Limited	- Property investment
(as director)	Lord Young Investment Limited	- Property investment holding
Ko Yuet Ming	Main Sales Development Limited	- Property investment
(as director)		

During the year ended 31 December 2003, Game Pioneer Limited and Lord Young International Holdings Limited, of which Mr. Luk Tei, Lewis and Mr. Ko Yuet Ming are directors, and B.P.Y.A 680 Holdings Limited, Shabusen Yakniku House (No. 2) Limited, Shaoxing Xian Heng Hotel Co., Ltd and Zhejiang Jianhu Real Estate Development Co., Ltd, of which Mr. Ko is a director, have ceased to carry on businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company.

Save as disclosed above, none of the directors is(was) interested in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company during the year ended 31 December 2003 and up to the date of this report.

BORROWINGS

There were no bank borrowings outstanding at 31 December 2003.

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

During the year, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities. In addition, the Company has not redeemed any of its listed securities during the year.

CORPORATE GOVERNANCE

The Group is committed to high standards of corporate governance and has throughout the year complied with statutory and non-statutory requirements, including those stipulated in the Companies Act in Bermuda and the Companies Ordinance, the Listing Rules, the SFO in Hong Kong as well as overseas statutes and rules.

Code of Best Practice

With respect to the Code of Best Practice as set out in Appendix 14 of the Listing Rules, physical board meetings of the Company are held at least twice a year. Executive directors of the Company meet on a regular basis to oversee the Company's day-to-day management, including the formulation of Group wide strategies and policies, the approval of annual budgets and business plans and the review of operational issues and financial and business performance. In addition, executive directors of the Company are actively involved in the management of the Group's subsidiaries and associated companies through regular participation at the board and operational levels of such subsidiaries and associated companies. With the exception of the two independent non-executive directors having no set term of office and retiring from office on a rotational basis, the Company has complied with Appendix 14 of the Listing Rules throughout the year ended 31 December 2003.

Audit Committee

The Audit Committee of the Company currently has a membership comprising two independent non-executive directors of the Company. The terms of reference of the Audit Committee, which is based on "A Guide for the Formation of an Audit Committee" as issued by the Hong Kong Society of Accountants, sets out the powers and duties of the committee and is reviewed by the board of directors of the Company from time to time. The Audit Committee meets regularly with management and the external auditors of the Company and reviews matters relating to audit, accounting and financial statements as well as internal control, risk evaluation and general compliance of the Group and reports directly to the board of directors of the Company.

Report of the Directors

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PRE-EMPTIVE RIGHTS

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

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 75.

RETIREMENT BENEFITS SCHEMES

Information on the retirement benefits schemes of the Group is set out in note 10 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 December 2003 attributable to the Group's major customers and suppliers are as follows :

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	29%	N/A
Five largest customers combined	67%	N/A
The largest supplier	N/A	5%
Five largest suppliers combined	N/A	18%

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

Report of the Directors

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AUDITORS

KPMG were appointed as auditors of the Company in 2000 upon the retirement of Deloitte Touche Tohmatsu. PricewaterhouseCoopers were appointed as auditors of the Company to fill the casual vacancy upon the resignation of KPMG in 2001.

PricewaterhouseCoopers will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Edith SHIH

Director and Company Secretary

Hong Kong, 16 March 2004