

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements for the year ended 31st December, 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries and associates are principally engaged in investment holding, fund management, underwriting, insurance, corporate finance, securities broking, securities investment, treasury investment, money lending, commercial banking and other financial services.

RESULTS AND DISTRIBUTIONS

The results of the Group for the year ended 31st December, 2003 and the state of affairs of the Group and the Company as at 31st December, 2003 are set out in the financial statements on pages 20 to 78.

An interim distribution of HK1.5 cents (2002 – interim distribution of HK1.5 cents and special interim distribution of HK\$1.45) per share for the year ended 31st December, 2003 was paid on 21st October, 2003.

The Directors recommend a final distribution of HK3 cents (2002 – HK3 cents) per share for the year ended 31st December, 2003, totalling HK\$40,405,000 (2002 – HK\$40,405,000, paid). Together with the interim distribution paid, total distribution for the year ended 31st December, 2003 will amount to HK4.5 cents (2002 – HK\$1.495) per share, totalling HK\$60,607,000 (2002 – HK\$2,020,407,000).

SUMMARY OF GROUP FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years ended 31st December, 2003 is set out on page 80.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 25 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year and details of the distributable reserves are set out in Note 26 to the financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Company and of the Group during the year are set out in Note 17 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in Note 18 to the financial statements.

DONATIONS

During the year, the Group made charitable and other donations of HK\$7,164,000 (2002 – HK\$5,913,000).

DIRECTORS

The Directors of the Company during the year and at the balance sheet date were as follows:

Non-executive Director:

Dr. Mochtar Riady (*Chairman*)

Executive Directors:

Mr. Stephen Riady

Mr. John Lee Luen Wai, J.P.

Mr. Jesse Leung Nai Chau

Mr. Kor Kee Yee

Independent non-executive Directors:

Mr. Leon Chan Nim Leung

Mr. Albert Saychuan Cheok

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Stephen Riady and Mr. John Lee Luen Wai will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

None of the Directors 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.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Mochtar Riady (also known as Dr. Lee Man Tjin), aged 74, is the founder and the Chairman of the group of companies controlled by the Riady family. Dr. Riady is the father of Mr. Stephen Riady. Dr. Riady has over 30 years' banking and financial institution experience in Indonesia, Hong Kong, Singapore, Taiwan and the United States of America. He was appointed a Director in 1992 and is the Chairman of the Company. He is also the Honorary Chairman of Lippo China Resources Limited ("LCR") and a director of Lippo Cayman Limited ("Lippo Cayman") and Lippo Capital Limited ("Lippo Capital").

Mr. Stephen Riady, aged 43, was appointed a Director of the Company in 1992. Mr. Riady is a son of Dr. Mochtar Riady. He is also the Chairman of Lippo Limited ("Lippo") and the Deputy Chairman and Managing Director of LCR, the Group Managing Director of Auric Pacific Group Limited ("Auric") and a director of Lanus Limited, Lippo Cayman, Lippo Capital, First Tower Corporation ("First Tower"), Skyscraper Realty Limited and HKCL Holdings Limited ("HKCL Holdings"). He is a graduate of the University of Southern California and holds an Honorary Degree of Doctor of Business Administration from Napier University in the United Kingdom. Mr. Riady is a banker by profession, with over 15 years' experience in retail, commercial and merchant banking in North America and in the Southeast Asian region.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Mr. John Lee Luen Wai, J.P., aged 55, was appointed a Director of the Company in 1992. Mr. Lee is also the Managing Director of Lippo and a director of LCR, First Tower, Greenroot Limited, HKCL Holdings and Auric. He is a qualified accountant and was a partner of one of the leading international accounting firms in Hong Kong. He has extensive experience in corporate finance and capital market.

Mr. Leon Chan Nim Leung, aged 48, an independent non-executive Director of the Company, was appointed a Director in 1992. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co.. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and is a member of the Solicitors Disciplinary Tribunal. Mr. Chan was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He is also an independent non-executive director of Lippo, LCR, The Hong Kong Building and Loan Agency Limited and Auric.

Mr. Albert Saychuan Cheok, aged 53, was appointed an independent non-executive Director of the Company in 2002. Mr. Cheok graduated from the University of Adelaide, Australia, with a First Class Honours degree in Economics. He is a banker with 29 years of experience in banking in the Asia-Pacific region, particularly in Australia, Hong Kong, Thailand and Malaysia. Mr. Cheok currently is the Chairman of Bangkok Bank Berhad in Malaysia.

Mr. Jesse Leung Nai Chau, aged 53, was appointed a Director of the Company in 2002. Mr. Leung holds a Master's Degree in Business Administration. He is a fellow of the Institute of Chartered Accountants in England and Wales as well as the Hong Kong Society of Accountants. Mr. Leung has extensive experience in public practice, finance and commerce. He is also a director of Dan Form Holdings Company Ltd.

Mr. Kor Kee Yee, aged 55, was appointed a Director of the Company in 2002. Mr. Kor holds a Master's Degree in Business Administration from Asia International Open University (Macau). He has over 30 years' comprehensive banking experience.

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

As at 31st December, 2003, the interests or short positions of the Directors and chief executive of the Company 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 under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange (the "Model Code") were as follows:

(a) *Interests in shares of the Company and associated corporations*

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK\$1.00 each in the Company					
Mochtar Riady	–	–	987,470,440 (Note 1)	987,470,440	73.32
Stephen Riady	–	–	987,470,440 (Note 1)	987,470,440	73.32
Kor Kee Yee	59,900	–	–	59,900	0.00
John Lee Luen Wai	200	200	–	400	0.00
Number of ordinary shares of HK\$0.10 each in Lippo Limited ("Lippo")					
Mochtar Riady	–	–	248,697,776 (Notes 1 & 2)	248,697,776	56.78
Stephen Riady	–	–	248,697,776 (Notes 1 & 2)	248,697,776	56.78
John Lee Luen Wai	825,000	–	–	825,000	0.19
Kor Kee Yee	14,737	–	–	14,737	0.00
Number of ordinary shares of HK\$0.10 each in Lippo China Resources Limited ("LCR")					
Mochtar Riady	–	–	6,539,460,389 (Notes 1, 2 & 3)	6,539,460,389	71.07
Stephen Riady	–	–	6,539,460,389 (Notes 1, 2 & 3)	6,539,460,389	71.07
Kor Kee Yee	400,000	–	–	400,000	0.00

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)**(a) Interests in shares of the Company and associated corporations (Continued)**Note:*

1. As at 31st December, 2003, Lippo Cayman Limited ("Lippo Cayman"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was indirectly interested in 987,470,440 ordinary shares of HK\$1.00 each in, representing approximately 73.32 per cent. of, the issued share capital of the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius was accustomed to act. Dr. Mochtar Riady did not have any interests in the share capital of Lanius. The beneficiaries of the trust include Dr. Mochtar Riady, Mr. Stephen Riady and their respective family members including, inter alia, the minor children of Mr. Stephen Riady. Dr. Mochtar Riady as the founder and beneficiary of the trust and Mr. Stephen Riady (together with his minor children) as beneficiaries of the trust were taken to be interested in Lippo Cayman under the SFO.
2. As at 31st December, 2003, Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in an aggregate of 248,697,776 ordinary shares of HK\$0.10 each in, representing approximately 56.78 per cent. of, the then issued share capital of Lippo.
3. As at 31st December, 2003, Lippo was indirectly interested in 6,539,460,389 ordinary shares of HK\$0.10 each in, representing approximately 71.07 per cent. of, the issued share capital of LCR.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS (Continued)
(a) Interests in shares of the Company and associated corporations (Continued)

As at 31st December, 2003, Dr. Mochtar Riady, as founder and beneficiary of the aforesaid discretionary trust, and Mr. Stephen Riady (together with his minor children), as beneficiaries of the aforesaid discretionary trust, through their interests in Lippo Cayman as mentioned in Note 1 above, were also taken to be interested in the share capital of the following associated corporations (within the meaning of Part XV of the SFO) of the Company:

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
AcrossAsia Multimedia Limited	Ordinary shares	3,669,576,788 (Note a)	72.45
Actfield Limited	Ordinary shares	1	100
Boudry Limited	Ordinary shares	1,000	100
Congrad Holdings Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000 (Note b)	88.88
First Bond Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1 (Note c)	100
Gainfield Enterprise Limited	Ordinary shares	1	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Greenroot Limited	Ordinary shares	1 (Note d)	100
HKCL Holdings Limited	Ordinary shares	50,000 (Note e)	100
Huge Returns Limited	Ordinary shares	1	100
J & S Company Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1,000,000	100
	Non-voting deferred shares	15,000,000	100
Lippo Capital Limited	Ordinary shares	705,690,000	100
Lippo Energy Company N.V.	Ordinary shares	6,000	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Holding America Inc.	Ordinary shares	1	100
Lippo Holding Company Limited	Ordinary shares	2,500,000	100
	Non-voting deferred shares	7,500,000	100
Lippo Investments Limited	Ordinary shares	2	100
Lippo Leisure Holdings Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Nelton Limited	Ordinary shares	10,000	100
Pointbest Limited	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10 (Note f)	100
The HCB General Investment (Singapore) Pte Ltd. ("HCB General")	Ordinary shares	70,000	70
The Hong Kong Building and Loan Agency Limited	Ordinary shares	168,313,038 (Note e)	74.80
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)**(a) Interests in shares of the Company and associated corporations (Continued)**Note:*

- a. The interests included 219,600,000 ordinary shares held by Mideast Pacific Strategic Holdings Limited in which Lippo Cayman controlled a 30 per cent. interest.
- b. The interests were held by HCB General, a 70 per cent. owned subsidiary of Lippo Cayman.
- c. The interest was held by Lippo, a 56.78 per cent. owned subsidiary of Lippo Cayman.
- d. The interest was held by LCR, a 71.07 per cent. owned subsidiary of Lippo which in turn was a 56.78 per cent. owned subsidiary of Lippo Cayman.
- e. The interests were held through LCR, a 71.07 per cent. owned subsidiary of Lippo which in turn was a 56.78 per cent. owned subsidiary of Lippo Cayman.
- f. The interests were held through Lippo, a 56.78 per cent. owned subsidiary of Lippo Cayman.

As at 31st December, 2003, Mr. Stephen Riady, as beneficial owner, was directly interested in 5 ordinary shares of HK\$1.00 each in, representing 25 per cent. of, the issued share capital of Lanius which was the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and beneficiary. The beneficiaries of the trust also include, inter alia, Mr. Stephen Riady and his minor children. Dr. Mochtar Riady did not have any interests in the share capital of Lanius but the shareholders of Lanius were accustomed to act in accordance with his instructions.

As at 31st December, 2003, Mr. John Lee Luen Wai, as beneficial owner, was also interested in 230,000 ordinary shares of HK\$0.10 each in, representing approximately 0.0045 per cent. of, the issued share capital of AcrossAsia Multimedia Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)**(b) Interests in underlying shares of the Company's associated corporation*

As at 31st December, 2003, Mr. John Lee Luen Wai, as beneficial owner, held 1,500,000 options granted to him on 23rd June, 1997 at a consideration of HK\$1.00 under the Share Option Scheme for Employees adopted by LCR (the "LCR Share Option Scheme"). Such options vested after two months from the date when the options were deemed to be granted and accepted and are exercisable from 23rd August, 1997 to 23rd June, 2007 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares in LCR at an initial exercise price of HK\$5.30 per share (subject to adjustment). Pursuant to the bonus issue of new shares in the ratio of one for one in October 1997, the rights issue of new shares in July 1999 on the basis of one rights share for every one share held and the rights issue of new shares in November 2000 on the basis of one rights share for every two shares held, the holder of each option is entitled to subscribe for six ordinary shares of HK\$0.10 each in LCR at an exercise price of HK\$0.883 per share (subject to adjustment). Accordingly, Mr. John Lee Luen Wai is entitled to subscribe for 9,000,000 ordinary shares in, representing approximately 0.09 per cent. of, the issued share capital of LCR. None of the options were exercised by Mr. John Lee Luen Wai during the year and the quantity of options held by him as at 1st January, 2003 and 31st December, 2003 remained unchanged.

The above interest in the underlying shares of LCR was held pursuant to unlisted physically settled equity derivatives. As at 31st December, 2003, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

(c) Interests in debentures of the Company's associated corporation

As at 31st December, 2003, Dr. Mochtar Riady, as founder and beneficiary of the aforesaid discretionary trust, and Mr. Stephen Riady (together with his minor children), as beneficiaries of the aforesaid discretionary trust, through their interests in Lippo Cayman as mentioned in Note 1 above, were taken to be interested in the debentures issued by Lippo Commercial Paper Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company, in a principal amount of US\$5,500,000. Such interest was held through the Company, a 73.32 per cent. owned subsidiary of LCR, which in turn was a 71.07 per cent. owned subsidiary of Lippo. Lippo was a 56.78 per cent. owned subsidiary of Lippo Cayman.

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2003, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under Section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein, as at 31st December, 2003, none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted), were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

ARRANGEMENTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st December, 2003, so far as is known to the Directors of the Company, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as follows:

Interests of substantial shareholders in shares of the Company

Name	Number of ordinary shares of HK\$1.00 each	Approximate percentage of the issued share capital
HKCL Holdings Limited ("HKCL Holdings")	820,886,440	60.95
LCR	987,470,440	73.32
Lippo	987,470,440	73.32
Lippo Cayman	987,470,440	73.32
Lanius	987,470,440	73.32
Madam Lidya Suryawaty	987,470,440	73.32

Note:

1. HKCL Holdings, the immediate holding company of the Company, as beneficial owner, held 820,886,440 ordinary shares in the Company.
2. LCR's interests in the shares of the Company included the interest of HKCL Holdings which was held by LCR through Greenroot Limited, a wholly-owned subsidiary of LCR. LCR, as beneficial owner, directly held 166,584,000 ordinary shares in, representing approximately 12.37 per cent. of, the issued share capital of the Company.
3. Lippo was an intermediate holding company of LCR which was held by Skyscraper Realty Limited as to approximately 71.07 per cent., which in turn was wholly owned by First Tower Corporation, a wholly-owned subsidiary of Lippo.
4. Lippo Cayman was the holding company of Lippo through direct holding and through wholly-owned subsidiaries, one of which was Lippo Capital Limited which controlled an approximate 49.97 per cent. interest in Lippo.
5. Lanius was the registered shareholder of the entire issued share capital of Lippo Cayman and was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius was accustomed to act. The beneficiaries of the trust include Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady was not the registered holder of any shares in the issued share capital of Lanius.
6. LCR's interests in the shares of the Company were recorded as the interests of Lippo, Lippo Cayman, Lanius and Madam Lidya Suryawaty. The above 987,470,440 ordinary shares in the Company related to the same block of shares that Dr. Mochtar Riady and Mr. Stephen Riady were interested, details of which were disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

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

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2003, none of the substantial shareholders or other persons (other than the Directors or chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

On 16th December, 2002, the following three tenancy agreements (the "Tenancy Agreements") were entered into between the group companies in respect of the letting of office premises:

- (i) a tenancy agreement was entered into between ImPac Asset Management (HK) Limited ("ImPac"), now a wholly-owned subsidiary of the Company, and Porbandar Limited ("Porbandar"), a fellow subsidiary of the Company, pursuant to which Porbandar agreed to let to ImPac a portion of Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of 1,203 square feet for a term of two years from 12th August, 2002 to 11th August, 2004, both days inclusive, at a monthly rental of HK\$19,368, exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals;
- (ii) a tenancy agreement was entered into between the Company and Porbandar pursuant to which Porbandar agreed to let to the Company a portion of Room 4301, 43rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of 3,676 square feet for a term of two years from 16th September, 2002 to 15th September, 2004, both days inclusive, at a monthly rental of HK\$60,654, exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals; and
- (iii) a tenancy agreement was entered into between Lippo Securities Holdings Limited ("LSHL"), a wholly-owned subsidiary of the Company, and Prime Power Investment Limited ("Prime Power"), a fellow subsidiary of the Company, pursuant to which Prime Power agreed to let to LSHL of Rooms 2302-2306, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of 12,038 square feet for a term of two years from 18th January, 2003 to 17th January, 2005, both days inclusive, at a monthly rental of HK\$192,608, exclusive of rates, service charges and all other outgoings, for office use. The rental was determined by reference to the then prevailing open market rentals.

Further details of the above tenancies are disclosed in Note 35(a) to the financial statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

The independent non-executive Directors have confirmed that (i) the above tenancies were entered into in accordance with the terms of the Tenancy Agreements by the relevant parties in the ordinary and usual course of their business; (ii) the above tenancies were undertaken on normal commercial terms and on terms that were fair and reasonable so far as the shareholders of the Company were concerned; and (iii) each of the rentals to be paid in respect of each of the Tenancy Agreements for each financial year would not exceed the higher of HK\$10 million or 3 per cent. of the book value of the consolidated net tangible assets of the Company as disclosed in its consolidated financial statements. The auditors of the Company have also confirmed that (i) the Tenancy Agreements have received the approval of the relevant boards of directors; (ii) the Tenancy Agreements are in accordance with the pricing policies stated in the financial statements of the Company; (iii) the above tenancies were entered into in accordance with the terms of the Tenancy Agreements; and (iv) the rentals paid did not exceed the rentals as agreed in the Tenancy Agreements.

Save as disclosed herein and in Note 35 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

During the year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries has been made.

AUDIT COMMITTEE

As part of the initiatives towards good corporate governance, the Board of Directors of the Company established an Audit Committee in 1998. The authority and duties of the Audit Committee are laid down in written terms of reference.

The Audit Committee comprises the two independent non-executive Directors of the Company. The committee meets regularly with the executive Directors, senior management and external auditors of the Company to consider corporate governance, regulatory compliance, internal control and financial reporting matters.

COMPLIANCE WITH 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 Listing Rules on the Stock Exchange throughout the year, except that non-executive Directors are not appointed for a specific term as required by paragraph 7 of the Code but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with Bye-law 87 of the Company's Bye-laws.

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

During the year ended 31st December, 2003, the Company had repurchased a total of 4,708,000 shares of HK\$1.00 each in the Company on the Stock Exchange, all of which were subsequently cancelled. Particulars of the aforesaid repurchases were as follows:

Month	Number of shares of HK\$1.00 each repurchased	Price per share or highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Total price paid before expenses <i>HK\$</i>
January	1,570,000	0.62	0.60	946,000
February	100,000	0.63	N/A	63,000
April	876,000	0.60	0.59	521,340
May	2,162,000	0.68	0.63	1,415,340

Save as disclosed herein, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined and that of sales attributable to the Group's five largest customers combined were less than 30 per cent. of the Group's aggregate purchases and sales, respectively.

AUDITORS

During the year of 2002, PricewaterhouseCoopers resigned as auditors of the Company and Ernst & Young were appointed as auditors to fill the causal vacancy so arising. There have been no other changes of auditors in the past three years. The financial statements for the year were audited by Ernst & Young who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

John Lee Luen Wai

Director

Hong Kong, 20th April, 2004