

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting 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, property investment and development, food businesses, property management, fund management, underwriting, insurance, corporate finance, securities broking, securities investment, treasury investment, money lending, commercial banking and other financial services.

The activities and other particulars of the principal subsidiaries and those of the principal associates are set out in the financial statements on pages 99 to 109 and pages 110 to 111, respectively.

There were no significant changes in the nature of these activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by principal activity and geographical area for the year ended 31st December, 2003 is set out in Note 4 to the financial statements.

RESULTS AND DIVIDENDS

The results and details of cash flows 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 23 to 111.

No interim dividend was declared (2002 – Nil) and the Directors have resolved to recommend the payment of a final dividend of HK0.2 cent per share for the year ended 31st December, 2003 (2002 – Nil). Total dividends for the year ended 31st December, 2003 will be HK0.2 cent per share (2002 – Nil) amounting to approximately HK\$18,402,000 (2002 – Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published 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 118.

GOODWILL

Details of movements in goodwill during the year are set out in Note 17 to the financial statements.

FIXED ASSETS

Details of movements in the fixed assets during the year are set out in Note 18 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties during the year are set out in Note 19 to the financial statements.

BANK LOANS

Details of bank loans are summarised in Note 34 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 30 to the financial statements.

There are no provisions for pre-emptive rights under the Company's Articles of Associations which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SHARE OPTION SCHEMES

Details of the share option schemes of the Company and its subsidiary are set out in Note 31 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves during the year and details of the distributable reserves are set out in Note 32 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

LOAN NOTE

Details of the loan note are set out in Note 35 to the financial statements.

SUBSEQUENT EVENT

Details of the significant subsequent event of the Group are set out in Note 43 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in the financial statements on pages 99 to 109.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$11,388,000 (2002 – HK\$12,139,000).

DIRECTORS

The Directors of the Company during the year were:

Non-executive Directors

Dr. Mochtar Riady (*Honorary Chairman*)

Mr. Ning Gaoning

Executive Directors

Mr. James Riady (*Chairman*)

Mr. Stephen Riady (*Deputy Chairman and Managing Director*)

Mr. John Luen Wai Lee, J.P.

Independent non-executive Directors

Mr. Leon Nim Leung Chan

Mr. Edwin Neo

In accordance with Article 94 of the Company's Articles of Association, Messrs. James Riady and Ning Gaoning 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 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 Messrs. James Riady and 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 the Honorary Chairman of the Company in 1992. He is also the Chairman of Hongkong Chinese Limited ("HKCL") and a director of Lippo Cayman Limited ("Lippo Cayman") and Lippo Capital Limited ("Lippo Capital"). Details of the interests of Dr. Mochtar Riady in the Company are disclosed in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

Mr. James Riady, aged 47, is the Deputy Chairman of the group of companies controlled by the Riady family. Mr. Riady is a son of Dr. Mochtar Riady and a brother of Mr. Stephen Riady. He holds a Bachelor of Commerce degree from the University of Melbourne, Australia. He was appointed the Chairman of the Company in 1992. He is also the Executive Chairman of Auric Pacific Group Limited ("Auric"). Details of the interests of Mr. James Riady in the Company are disclosed in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

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

Mr. Stephen Riady, aged 43, has been the Deputy Chairman and Managing Director of the Company since 1992. Mr. Riady is a son of Dr. Mochtar Riady and a brother of Mr. James Riady. He is also the Chairman of Lippo Limited ("Lippo"), the Group Managing Director of Auric and a director of HKCL, Lanius Limited, Lippo Cayman, Lippo Capital, First Tower Corporation ("First Tower") and Skyscraper Realty Limited. 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. Details of the interests of Mr. Stephen Riady in the Company are disclosed in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

Mr. Ning Gaoning, aged 45, was appointed a Director of the Company in December 1998. He has a Bachelor of Arts degree in Economics from Shandong University in China and a Master of Business Administration degree in Finance from the University of Pittsburgh in the United States of America. Mr. Ning is the Vice Chairman and President of China Resources (Holdings) Company Limited and President of China Resources National Corporation. He is also the Chairman of China Resources Enterprise, Limited, China Resources Land Limited, China Resources Peoples Telephone Company Limited and The Hong Kong Building and Loan Agency Limited ("HKBLA") and the Deputy Chairman of China Vanke Co., Ltd. Mr. Ning also holds directorship in a number of companies including China Resources Power Holdings Company Limited, China Resources Logic Limited, China Resources Cement Holdings Limited, BOC International Holdings Limited, SABMiller plc and HIT Investments Limited.

Mr. John Luen Wai Lee, 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 HKCL, First Tower 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 Nim Leung Chan, aged 48, was appointed an independent non-executive Director of the Company in 1997. 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, HKCL, HKBLA and Auric.

Mr. Edwin Neo, aged 54, was appointed an independent non-executive Director of the Company in March 2002. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1976 and of the Supreme Court of England and Wales in 1993. Mr. Neo is a practising lawyer and a notary public and is presently the sole proprietor of Hoosenally & Neo, Solicitors & Notaries. He is also an independent non-executive director of Lippo.

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in Notes 8 and 9 to the financial statements, respectively.

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 on the Stock Exchange (the "Model Code") were as follows:

1. Interests in shares of the Company and associated corporations

Name of Director	Personal interest (held as beneficial owner)	Family interest (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK\$0.10 each in the Company					
Mochtar Riady	–	–	6,539,460,389 <i>Notes (i) and (ii)</i>	6,539,460,389	71.07
James Riady	–	–	6,539,460,389 <i>Notes (i) and (ii)</i>	6,539,460,389	71.07
Stephen Riady	–	–	6,539,460,389 <i>Notes (i) and (ii)</i>	6,539,460,389	71.07
Number of ordinary shares of HK\$0.10 each in Lippo Limited ("Lippo")					
Mochtar Riady	–	–	248,697,776 <i>Note (i)</i>	248,697,776	56.78
James Riady	–	–	248,697,776 <i>Note (i)</i>	248,697,776	56.78
Stephen Riady	–	–	248,697,776 <i>Note (i)</i>	248,697,776	56.78
John Luen Wai Lee	825,000	–	–	825,000	0.19

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)***1. Interests in shares of the Company and associated corporations** *(Continued)*

Name of Director	Personal interest (held as beneficial owner)	Family interest (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 Hongkong Chinese Limited ("HKCL")					
Mochtar Riady	–	–	987,470,440 <i>Notes (i), (ii) and (iii)</i>	987,470,440	73.32
James Riady	–	–	987,470,440 <i>Notes (i), (ii) and (iii)</i>	987,470,440	73.32
Stephen Riady	–	–	987,470,440 <i>Notes (i), (ii) and (iii)</i>	987,470,440	73.32
John Luen Wai Lee	200	200	–	400	0.00

Note:

- (i) 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, 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. 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 included Dr. Mochtar Riady, Mr. James Riady, Mr. Stephen Riady and their respective family members including, inter alia, the minor children of each of Messrs. James Riady and Stephen Riady. Dr. Mochtar Riady as the founder and beneficiary of the trust and Messrs. James Riady and Stephen Riady (together with their minor children) as beneficiaries of the trust were taken to be interested in Lippo Cayman under the SFO.
- (ii) 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 the Company.
- (iii) As at 31st December, 2003, the Company was directly and indirectly interested in an aggregate of 987,470,440 ordinary shares of HK\$1.00 each in, representing approximately 73.32 per cent. of, the issued share capital of HKCL.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)*
1. 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 Messrs. James Riady and Stephen Riady (together with their minor children), as beneficiaries of the aforesaid discretionary trust, through their interests in Lippo Cayman as mentioned in Note (i) 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	72.45
		<i>(Note a)</i>	
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	88.88
		<i>(Note b)</i>	
First Bond Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1	100
		<i>(Note c)</i>	
Gainfield Enterprise Limited	Ordinary shares	1	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	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

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

Name of associated corporation	Class of shares	Number of shares interested	Approximate percentage of interest in the issued share capital
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	100
		<i>(Note d)</i>	
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	74.80
		<i>(Note e)</i>	
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100

Note:

- 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.
- The interests were held by HCB General, a 70 per cent. owned subsidiary of Lippo Cayman.
- The interest was held by Lippo, a 56.78 per cent. owned subsidiary of Lippo Cayman.
- The interests were held through Lippo, a 56.78 per cent. owned subsidiary of Lippo Cayman.
- The interests were held through the Company, a 71.07 per cent. owned subsidiary of Lippo which in turn was a 56.78 per cent. owned subsidiary of Lippo Cayman.

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

1. Interests in shares of the Company and associated corporations (Continued)

As at 31st December, 2003, each of Messrs. James Riady and Stephen Riady, as beneficial owners, 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 included, inter alia, Messrs. James Riady and Stephen Riady and their 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 Luen Wai Lee, 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.

2. Interests in underlying shares of the Company

Name of Director	Capacity and nature of interest	Number of underlying shares of HK\$0.10 each in respect of which options have been granted*	Approximate percentage of the issued share capital
John Luen Wai Lee	Personal (held as beneficial owner)	9,000,000	0.09

* The options were granted on 23rd June, 1997 at a consideration of HK\$1.00 per grantee under the Share Option Scheme for Employees adopted by the Company (the "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 Share Option Scheme to subscribe for ordinary shares in the Company 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 the Company at an exercise price of HK\$0.883 per share (subject to adjustment). None of the options were exercised by the above Director during the year and the quantity of options held by the above Director as at 1st January, 2003 and 31st December, 2003 remained unchanged.

The above interest in the underlying shares of the Company 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).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)***3. 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 Messrs. James Riady and Stephen Riady (together with their minor children), as beneficiaries of the aforesaid discretionary trust, through their interests in Lippo Cayman as mentioned in Note (i) 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 HKCL, a 73.32 per cent. owned subsidiary of the Company 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.

Certain Directors have non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Group solely for the purpose of holding the requisite qualifying shares.

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 were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were 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 SECURITIES AND FUTURES ORDINANCE

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 Securities and Futures Ordinance (the "SFO") as follows:

Interests of substantial shareholders in shares of the Company

Name	Number of ordinary shares of HK\$0.10 each	Approximate percentage of the issued share capital
Lippo Limited ("Lippo")	6,539,460,389	71.07
Lippo Cayman Limited ("Lippo Cayman")	6,539,460,389	71.07
Lanius Limited ("Lanius")	6,539,460,389	71.07
Madam Lidya Suryawaty	6,539,460,389	71.07

Note:

1. 6,539,460,389 ordinary shares of the Company were held by Skyscraper Realty Limited directly as beneficial owner which in turn was a wholly-owned subsidiary of First Tower Corporation ("First Tower"). First Tower was a wholly-owned subsidiary of Lippo. Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited (which owned approximately 49.97 per cent. interest of the then issued share capital of Lippo), J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in approximately 56.78 per cent. of the then issued share capital of Lippo.
2. 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 included 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.
3. Lippo's interests in the shares of the Company were recorded as the interests of Lippo Cayman, Lanius and Madam Lidya Suryawaty. The above ordinary shares in the Company related to the same block of shares that Dr. Mochtar Riady, Messrs. James Riady and 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".

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' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following Director is considered to have interests in the businesses which compete or are likely to compete with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as set out below.

Mr. Ning Gaoning ("Mr. Ning") is also the Vice Chairman and President of China Resources (Holdings) Company Limited which, through its subsidiaries, is partly engaged in the businesses of property investment and development, food businesses and power generators in the People's Republic of China ("China"). Mr. Ning is also the Deputy Chairman of China Vanke Co., Ltd. which is mainly engaged in the business of property development in China.

As the Board of Directors of the Company is independent from the board of the aforesaid companies and the above Director does not control the Board of the Company, the Group is capable of carrying the businesses independently and of arm's length from the businesses of such companies.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

On 16th December, 2002, the following five 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 Superform Investment Limited ("Superform"), a wholly-owned subsidiary of the Company, and Lippo Limited ("Lippo"), an intermediate holding company of the Company, pursuant to which Superform agreed to let to Lippo a portion of 24th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of 11,028 square feet for a term of two years from 1st January, 2003 to 31st December, 2004, both days inclusive, at a monthly rental of HK\$176,448, 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 Prime Power Investment Limited ("Prime Power"), a wholly-owned subsidiary of the Company, and Lippo Securities Holdings Limited ("Lippo Securities Holdings"), a wholly-owned subsidiary of Hongkong Chinese Limited ("HKCL") which in turn is a subsidiary of the Company, pursuant to which Prime Power agreed to let to Lippo Securities Holdings 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;
- (iii) a tenancy agreement was entered into between Porbandar Limited ("Porbandar"), a wholly-owned subsidiary of the Company, and HKCL, pursuant to which Porbandar agreed to let to HKCL 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;

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

- (iv) a tenancy agreement was entered into between Porbandar and ImPac Asset Management (HK) Limited ("ImPac"), now a wholly-owned subsidiary of HKCL, 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; and
- (v) a tenancy agreement was entered into between Prime Power and The Hong Kong Building and Loan Agency Limited ("HKBLA"), a subsidiary of the Company, pursuant to which Prime Power agreed to let to HKBLA a portion of Room 2301, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of 3,316 square feet for a term of two years from 1st February, 2003 to 31st January, 2005, both days inclusive, at a monthly rental of HK\$55,709, 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.

The independent non-executive Directors have confirmed that (i) the above tenancies were entered into in accordance with the terms of the relevant 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 44 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.

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.

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

During the year, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

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.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group and the employer's retirement benefits costs charged to the consolidated profit and loss account for the year are set out in Note 10 to the financial statements.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee") in accordance with paragraph 14 of the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The members of the Committee are Messrs. Leon Nim Leung Chan and Edwin Neo, independent non-executive Directors of the Company, and the Committee met regularly during the year. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited financial statements for the year ended 31st December, 2003.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 the Company's Articles of Association.

AUDITORS

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 Luen Wai Lee

Director

Hong Kong, 23rd April, 2004