

REPORT OF THE DIRECTORS

The Directors submit herewith their Report and the Audited Statement of Accounts for the financial year ended 31st December, 2001.

Principal Activities and Trading Operations

The principal activity of the Company is investment holding and those of its subsidiaries and associates are set out on page 57.

An analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year is set out in Note 11 to the Accounts on pages 44 and 45.

Subsidiaries

Particulars of the Company's subsidiaries at 31st December, 2001 are set out on page 57.

Results, Appropriations and Reserves

The results of the Group and appropriations of profit for the financial year ended 31st December, 2001 are set out in the Consolidated Profit and Loss Account on page 20.

Movements in reserves during the financial year are set out in Note 19 to the Accounts on pages 52 to 54.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is given on page 58.

Dividends

An interim dividend of 5.0 cents per share was paid on 8th October, 2001. The Directors now recommend the payment on 18th June, 2002 of a final dividend of 12.0 cents per share in respect of the financial year ended 31st December, 2001, payable to Shareholders on record as at 5th June, 2002. This recommendation has been incorporated in the Accounts.

Fixed Assets

Movements in fixed assets during the financial year are set out in Note 12 to the Accounts on pages 45 to 48.



REPORT OF THE DIRECTORS (Cont'd)

Bank Loans, Overdrafts and Other Borrowings

Particulars of all bank loans, overdrafts and/or other borrowings of the Company and of the Group at 31st December, 2001, all of which are repayable on demand or within a period not exceeding one year, are set out under Current Liabilities in the Consolidated Balance Sheet on page 22.

Donations

The Group made donations during the financial year totalling HK\$1,012,069.

Directors

The Directors of the Company during the financial year were Mr. G. W. J. Li, the late Mr. H. M. G. Forsgate (passed away on 21st October, 2001), Mr. B. S. Forsgate (appointed on 19th November, 2001), Mr. C. C. Haung (appointed on 31st October, 2001), Mr. T. Y. Ng, Mr. C. L. Pan, Mr. H. M. V. de Lacy Staunton (appointed on 18th May, 2001) and Mr. P. Y. C. Tsui.

Mr. B. S. Forsgate, Mr. C. C. Haung and Mr. H. M. V. de Lacy Staunton, being appointed as Directors of the Company after the last Annual General Meeting, are due to retire from the Board in accordance with Article 94 of the Company's Articles of Association, and Mr. P. Y. C. Tsui is also due to retire from the Board by rotation in accordance with Article 103(A), at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election.

With the exception of the Chairman of the Company (who is not subject to retirement by rotation under the provisions of the Company's Articles of Association) together with Mr. B. S. Forsgate, Mr. C. C. Haung, Mr. H. M. V. de Lacy Staunton and Mr. P. Y. C. Tsui (who are due to retire from the Board at the forthcoming Annual General Meeting as mentioned above), the remaining two present Directors would continue to serve on the Board for a term of one year and would become due to retire from the Board by rotation in 2003 in accordance with Article 103(A) of the Company's Articles of Association.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation.



REPORT OF THE DIRECTORS (Cont'd)

Directors' Interests in Shares

At 31st December, 2001, Directors of the Company had the following personal beneficial interests in ordinary shares of the Company's parent company, namely, The Wharf (Holdings) Limited:

Names of Directors	Number of Shares
Mr. Gonzaga W. J. Li	686,549
Mr. T. Y. Ng	178,016
Mr. C. L. Pan	56,304

Save as disclosed above, as recorded in the register kept by the Company under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") in respect of information required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the SDI Ordinance or to the Model Code for Securities Transactions by Directors of Listed Companies:

- (i) there were no interests held as at 31st December, 2001 by any Directors and Chief Executive of the Company in securities of the Company and its associated corporations (within the meaning of the SDI Ordinance), and
- (ii) there existed during the financial year no rights to subscribe for equity or debt securities of the Company which were held by any Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

Substantial Shareholders' Interests

Given below are the names of all parties which were, directly or indirectly, interested in 10% or more of the nominal value of the share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 31st December, 2001 as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:

Names	Number of Ordinary Shares
(I) Upfront International Limited	210,379,500
(II) Wharf Hotel Investments Limited	210,379,500
(III) Wharf International Limited	210,379,500
(IV) The Wharf (Holdings) Limited	210,379,500
(V) WF Investment Partners Limited	210,379,500
(VI) Wheelock and Company Limited	210,379,500
(VII) Bermuda Trust (Guernsey) Limited	210,379,500

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against parties (I) to (VII) above represent the same block of shares; all of the abovenamed parties were deemed to be interested in the same shareholdings under the SDI Ordinance as at 31st December, 2001.



REPORT OF THE DIRECTORS (Cont'd)

Interests in Contracts

No contract of significance in relation to the Company's business to which the Company, any subsidiary or holding company of the Company or any subsidiary of the Company's holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

Management Contracts

No contract for the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the financial year.

Arrangements to Purchase Shares or Debentures

At no time during the financial year was the Company, any of its subsidiaries or its holding company or any subsidiary of that holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, with the exception of the options to subscribe for ordinary shares of The Wharf (Holdings) Limited ("Wharf") granted under Wharf's Executive Share Incentive Scheme (the "Scheme") to certain executives of Wharf or its subsidiaries, some of whom were Directors of the Company during the financial year.

Under the original rules of the Scheme, shares of Wharf would be issued at such prices, not being less than 90% of the average closing price on the Stock Exchange for the five trading days immediately preceding the date of offer of the options, and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant, as determined by the board of directors of Wharf. During the financial year, certain shares of Wharf were allotted and issued to Mr. T. Y. Ng, a Director of the Company, on his exercise of options under the Scheme.

Purchase, Sale or Redemption of Shares

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



REPORT OF THE DIRECTORS (Cont'd)

Auditors

During the financial year, KPMG were appointed as Auditors of the Company to fill the vacancy occasioned by the resignation on 29th November, 2001 of PricewaterhouseCoopers as Auditors of the Company. The Accounts now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

PricewaterhouseCoopers replaced Price Waterhouse as the Auditors of the Company in May 1999 following their merger with Coopers & Lybrand in October 1998.

By Order of the Board

Wilson W. S. Chan

Secretary

Hong Kong, 11th March, 2002

