

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and the Audited Statement of Accounts for the financial year ended 31st December, 2002.

Principal Activities and Operations

The principal activity of the Company is investment holding and those of its principal subsidiaries and associates are set out on page 56.

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 2 to the Accounts on pages 35 to 36.

Subsidiaries

Particulars of the Company's principal subsidiaries at 31st December, 2002 are set out on page 56.

Results, Appropriations and Reserves

The results of the Group for the financial year ended 31st December, 2002 are set out in the Consolidated Profit and Loss Account on page 18.

Appropriations of profits and movements in reserves during the financial year are set out in Note 18 to the Accounts on pages 51 to 52.

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 57.

Dividends

An interim dividend of 5.0 cents per share was paid on 7th October, 2002. The Directors now recommend the payment on 10th June, 2003 of a final dividend of 12.0 cents per share in respect of the financial year ended 31st December, 2002, payable to Shareholders on record as at 28th May, 2003. This recommendation has been disclosed in the Accounts.

Fixed Assets

Movements in fixed assets during the financial year are set out in Note 10 to the Accounts on pages 43 to 45.

Donations

The Group made donations during the financial year totalling HK\$1,471,815.



REPORT OF THE DIRECTORS (Cont'd)

Directors

The Directors of the Company during the financial year were Mr. G. W. J. Li, Mr. B. S. Forsgate, Mr. C. C. Haung (resigned on 3rd June, 2002), Mr. T. Y. Ng, Mr. C. L. Pan, Mr. H. M. V. de Lacy Staunton and Mr. P. Y. C. Tsui.

Mr. C. L. Pan and Mr. T. Y. Ng are due to retire from the Board by rotation in accordance with Article 103(A) of the Company's Articles of Association, 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. C. L. Pan and Mr. T. Y. Ng (who are due to retire from the Board at the forthcoming Annual General Meeting as mentioned above), the remaining three present Directors would continue to serve on the Board for a period of one or two years in future until they become due to retire from the Board by rotation in 2004 and 2005 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.

Directors' Interests in Shares

At 31st December, 2002, Directors of the Company held 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

Except 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, 2002 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.



REPORT OF THE DIRECTORS (Cont'd)

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 any class of 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, 2002 as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:

Names	No. of Ordinary Shares
(i) Upfront International Limited	210,379,500
(ii) Harbour City Limited	210,379,500
(iii) Kowloon Estates Limited	210,379,500
(iv) The Wharf (Holdings) Limited	210,379,500
(v) Diplock Holdings Limited	210,379,500
(vi) WF Investment Partners Limited	210,379,500
(vii) Wheelock and Company Limited	210,379,500
(viii) Bermuda Trust (Guernsey) Limited	210,379,500

Note: For the avoidance of doubts and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings stated against parties (i) to (viii) 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, 2002.

Interests in Contracts

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate 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 contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial year.

Arrangements to Purchase Shares or Debentures

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate 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.



REPORT OF THE DIRECTORS (Cont'd)

Under the rules of the Scheme (subject to any such restrictions or alterations as may be prescribed or provided under the Listing Rules of the Stock Exchange from time to time in force), 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, no share of Wharf was issued to any Director of the Company 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.

Auditors

The Accounts now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

KPMG was appointed as Auditors of the Company to fill the vacancy occasioned by the resignation of PricewaterhouseCoopers on 29th November, 2001 as Auditors of the Company.

By Order of the Board

Wilson W. S. Chan

Secretary

Hong Kong, 20th March, 2003

