

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, 2003.

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 63.

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 page 38 to 39.

Results, Appropriations and Reserves

The results of the Group for the financial year ended 31st December, 2003 are set out in the Consolidated Profit and Loss Account on page 19.

Appropriations of profits and movements in reserves during the financial year are set out in note 18 to the Accounts on pages 56 to 58.

Dividends

An interim dividend of 5.0 cents per share was paid on 10th October, 2003. The Directors now recommend the payment on 17th May, 2004 of a final dividend of 12 cents per share in respect of the financial year ended 31st December, 2003, payable to Shareholders on record as at 10th May, 2004. 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 47 to 49.

Donations

The Group made donations during the financial year totalling HK\$1,088,039.

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 (appointed on 29th May, 2003), Mr. T. Y. Ng, Mr. C. L. Pan (retired on 28th May, 2003), Mr. H. M. V. de Lacy Staunton and Mr. P. Y. C. Tsui.

Mr. C. C. Haung, being appointed as a Director of the Company after the last Annual General Meeting, is due to retire from the Board in accordance with Article 94 of the Company's Articles of Association, and Mr. H. M. V. de Lacy Staunton 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. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Under the provisions of the Company's Articles of Association, the Chairman of the Company is not subject to retirement from the Board by rotation. As regards the other Directors (none of them holding any executive title of the Company), two of them will retire as Directors at the forthcoming Annual General Meeting to be held on 10th May, 2004 as mentioned above, and the remaining three Directors will have their respective terms of office coming to an end by reason of retirement by rotation at the Annual General Meeting of the Company in 2005 or 2006 in accordance with Article 103(A) of the Company's Articles of Association.

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 that there existed certain outstanding 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/employees of Wharf group, one or more of whom was/were Director(s) of the Company during the financial year.

Under the Scheme, subject to such restrictions or alterations as may be prescribed or provided under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) from time to time in force, shares of Wharf may be issued to employees of Wharf and its subsidiaries, including Directors of the Company, at such prices (not to be 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 may be exercisable during such periods (not to exceed the expiration of 10 years from the date of grant) as determined by Board of Directors of the Company. During the financial year, no share of Wharf was issued to any Director of the Company under the Scheme.

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, 9th March, 2004