

Report of the Directors



The Directors have pleasure in submitting their Report and the Audited Statement of Accounts for the financial year ended December 31, 2003.

PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activity of the Company is investment holding and those of its subsidiaries are set out in Note 32 to the Accounts on pages 59 and 60.

During the financial year, more than 90% of the trading operations of the Company and its subsidiaries in terms of both turnover and operating profit (before borrowing costs) were carried on in Hong Kong. An analysis of the principal activities of the trading operations of the Company and its subsidiaries during the financial year is set out in Note 2 to the Accounts on page 44.

RESULTS, APPROPRIATIONS AND RESERVES

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

Appropriations of profits and movements in reserves during the financial year are set out in the Statements of Changes in Equity on pages 34 and 35.

DIVIDENDS

An interim dividend of 1.5 cents per share was paid on October 13, 2003. The Directors now recommend the payment on May 19, 2004 of a final dividend of 4.0 cents per share in respect of the financial year ended December 31, 2003, payable to Shareholders on record as at May 12, 2004. This recommendation has been disclosed in the Accounts.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the financial year are set out in Note 13 to the Accounts on page 52.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group did not have any loans/borrowings at December 31, 2003. Details of certain convertible bonds previously issued and fully redeemed by the Company are set out in Note 23 to the Accounts on page 55.

DONATIONS

The Group made donations during the financial year totalling HK\$69,000.

DIRECTORS

The Directors of the Company during the financial year were Mr. Stephen T. H. Ng, Dr. David K. D. Hsu (retired on May 29, 2003), Mr. F. K. Hu, Mr. Quinn Y. K. Law (appointed on April 1, 2003), Mr. Victor C. W. Lo, Dr. Dennis T. L. Sun, Mr. Paul Y. C. Tsui (resigned on April 1, 2003), Mr. Samuel S. F. Wong (appointed on April 1, 2003) and Sir Gordon Y. S. Wu.

Report of the Directors *(continued)*



DIRECTORS *(continued)*

Dr. Dennis Sun and Sir Gordon Wu are due to retire from the Board by rotation in accordance with Article 82 of the Company's Articles of Association 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 six Directors (five of them not holding any executive title of the Company), two of them will retire as Directors at the forthcoming Annual General Meeting to be held on May 12, 2004 as mentioned above, and the remaining four 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 2004 or 2005 in accordance with Article 82 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 of the Company 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

On November 1, 1999, the Company entered into a management service agreement with Wharf Limited, a wholly-owned subsidiary of The Wharf (Holdings) Limited ("Wharf"), whereby Wharf Limited agreed to continue to provide or procure the provision of services including corporate secretarial services, treasury services, the provision of services in relation to corporate finance for obtaining borrowings and the provision of management personnel and other general corporate services to the Group following the Company having become a publicly-listed company in November 1999.

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 Company and Wharf granted under the Company's Share Option Scheme (the "Company's Scheme") and Wharf's Executive Share Incentive Scheme ("Wharf's Scheme") respectively to certain executives/employees of companies respectively in the Group or the Wharf group, one or more of whom was/were Director(s) of the Company during the financial year.

Under the rules of the two schemes (subject to any 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 "Hong Kong Stock Exchange") from time to time in force), shares of the Company and Wharf would be issued at such prices, not being less than 80% and 90% respectively of the Company's and Wharf's average closing prices on the Hong Kong 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 boards of directors of the Company and Wharf respectively. During the financial year, no shares of the Company and Wharf were issued to any Director of the Company under the Company's Scheme or Wharf's Scheme.

Report of the Directors *(continued)*



AUDITORS

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

By Order of the Board

Wilson W. S. Chan

Secretary

Hong Kong, March 11, 2004