

The directors have pleasure in submitting their report together with the audited consolidated income statement for the year ended 31 December 2002 and the audited balance sheets of the company and the group at that date.

Performance

A discussion and analysis of the group's performance during the year, the material factors underlying its results and financial position, and details of the group's principal activities are provided in the financial review on pages 46 to 56.

Ten year financial and operating summaries

Summaries of the group's financial and operating data for the last ten years are set out on pages 42 to 45.

Share capital

There were no changes in the share capital of the company during the year ended 31 December 2002.

Dividends

No interim dividend was paid during the year 2002. The directors have recommended a final dividend of 8 cents per share to be payable. Subject to the passing of the necessary resolution at the forthcoming annual general meeting, such dividend will be payable on 23 May 2003 to shareholders whose names appear on the register of members on 19 May 2003.

Subsidiary companies

Particulars of principal subsidiaries of the company are set out on page 95.

Fixed assets and investment properties

Movements in fixed assets during the year and details of investment properties are set out in note 10 to the financial statements.

Capitalised interest

Interest amounting to HK\$1 million was capitalised by the group during the year as set out in note 5 to the financial statements.

Reserves

Movements in the reserves of the company and the group during the year are set out in note 21 to the financial statements.

Purchase, sale and redemption of listed securities

There was no purchase, sale or redemption of the company's listed securities during the year.

Borrowings

Particulars of all borrowings are set out in note 18 to the financial statements.

Charitable donations

Donations made by the group for charitable purposes during the year amounted to HK\$140,141.

Major customers and suppliers

The diversity and nature of the group's activities are such that the percentage of sales or purchases attributable to the group's five largest customers or suppliers is significantly less than thirty per cent of the total and the directors do not consider any one customer or supplier to be influential to the group.

Connected transactions

Details of connected transactions disclosed under the Listing Rules which were undertaken in the normal course of business are set out in note 28 to the financial statements.

Directors

Biographical details of the directors in office at the date of this report are shown on pages 38 and 39. All the directors held office for the whole of 2002 with the exception of Mr Clement K M Kwok who was appointed Managing Director and Chief Executive Officer with effect from 1 February 2002. Mr Pierre Boppe's role changed from executive director to non-executive director with effect from 1 March 2002.

In accordance with the articles of association, Sir Sidney Gordon, Mr Ronald J McAulay and Dr The Hon. David K P Li will retire by rotation at the forthcoming annual general meeting and will offer themselves for re-election.

None of the aforementioned directors has a service contract with the company, which is not determinable within one year without payment of compensation.

Alternate directors

Mr Kadoorie, Mr Mocatta and Mr McAulay have appointed Mr Dickson Leach as their alternate. Mr Dickson Leach and Sir Sidney Gordon have appointed Mr Mocatta and Mr Kadoorie respectively as their alternates.

Directors' interests

As at 31 December 2002, the directors' interests in the shares of the company as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

	Number of shares held			Total
	Personal	Family	Other	
The Hon. Michael D Kadoorie	-	-	625,459,075 ^{(1) & (2)}	625,459,075
Ian D Boyce	200,000	-	-	200,000
Clement K M Kwok	250,000	-	-	250,000
Sir Sidney Gordon	96,000	-	-	96,000
Ronald J McAulay	-	-	440,970,743 ^{(1) & (3)}	440,970,743
William E Mocatta	-	1,017,000	-	1,017,000
Dr The Hon. David K P Li	400,000	-	-	400,000
Robert C S Ng	-	122,570	20,429 ⁽⁴⁾	142,999
Pierre R Boppe	150,000	-	-	150,000
O Mark L Rhys	120,000	-	-	120,000

Notes:

- (1) 370,968,444 shares were held by discretionary trusts, of which The Hon. Michael D Kadoorie and Mr Ronald J McAulay are two of the beneficiaries.
- (2) 254,490,631 shares were held by discretionary trusts, of which The Hon. Michael D Kadoorie is a beneficiary.
- (3) 70,002,299 shares were held by discretionary trusts, of which Mr Ronald J McAulay, his wife and members of his family are beneficiaries.
- (4) Non-beneficial interest held by the wife of Mr Robert C S Ng.

During the year, the company has not granted any rights to directors of the company or their spouses or children under 18 years of age to subscribe for equity or debt securities of the company.

No director had a material interest in any contract at the end of the year or at any time during the year, which was significant in relation to the business of the company or its subsidiary companies.

Substantial shareholders' interests

As at 31 December 2002, the following companies had interests in the shares of the company as recorded in the register maintained under section 16(1) of the SDI Ordinance:

Bermuda Trust Company Limited	695,461,374
Esko Limited	370,968,444
Hesko Limited	370,968,444
Xenon Holding Corporation	316,447,411
Rostik Limited	135,998,024
Mikado Holding Inc.	254,490,631
Mikado Investments Limited	254,490,631

The above information has been set out solely in order to comply with the requirements of the SDI Ordinance. These interests are duplicated amongst themselves to the extent of 1,703,363,585 shares, and the net total of 695,461,374 shares is duplicated with various of the directors' interests as recorded in the preceding note. Save as stated above, no person had disclosed interests in more than 10% of the issued share capital of the company at 31 December 2002.

Corporate governance

During the year the company has complied with the Code of Best Practice contained in Appendix 14 of the Listing Rules, save that the three independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and the audit committee is not comprised of a majority of independent directors. Further details on corporate governance are set out on page 60.

Practice note 19 of the Listing Rules

Pursuant to paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the company discloses that a covenant relating to a loan facility as at 31 December 2002, of an amount of HK\$1,649 million, requires that the Kadoorie family retains control and/or majority ownership of the company. This facility is denominated in Hong Kong and United States dollars and has a maturity of seven years. Such covenant was not given in respect of other facilities obtained during the year.

Auditors

A resolution for the reappointment of KPMG as auditors will be proposed at the forthcoming annual general meeting.



By Order of the Board
Christobelle Liao
Company Secretary
Hong Kong, 27 February 2003