

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, 2001.

PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 108 and 109.

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 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 3 to the Accounts on page 84.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries at December 31, 2001 are set out on pages 108 and 109.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group and appropriations of profits for the financial year ended December 31, 2001 are set out in the Consolidated Profit and Loss Account on page 65.

Movements in reserves during the financial year are set out in Note 26 to the Accounts on pages 98 to 101.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is given on pages 114 and 115.

DIVIDENDS

An interim dividend of 28 cents per share was paid on November 2, 2001. The Directors now recommend the payment on July 8, 2002 of a final dividend of 50 cents per share in respect of the financial year ended December 31, 2001, payable to shareholders on record as at June 7, 2002. This recommendation has been disclosed in the Accounts.

SHARE CAPITAL

During the year, upon exercises by certain grantees of options granted under the Company's Executive Share Incentive Scheme, a total of 480,000 ordinary shares of HK\$1.00 each of the Company, credited as fully paid, were allotted and issued by the Company, of which 200,000 shares were issued at a price of HK\$9.50 per share, 250,000 shares at a price of HK\$12.00 per share and 30,000 shares at a price of HK\$19.00 per share.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 12 to the Accounts on pages 91 to 93.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of all bank loans, overdrafts and/or other borrowings of the Company and the Group as at December 31, 2001 repayable on demand or within a period not exceeding one year are set out in Note 24 to the Accounts on page 97. Particulars of all other bank loans and certain other borrowings as at December 31, 2001 which would fall due for repayment after a period of one year are set out in Note 27 to the Accounts on pages 102 and 103.

REPORT OF THE DIRECTORS continued

Set out below is information regarding certain borrowings of the Group outstanding as at December 31, 2001, all in the form of debt securities issued by wholly-owned subsidiaries of and guaranteed by the Company:

	Name of Subsidiary/Borrower	Description of Debt Securities Issued	Outstanding Principal Amount
(1)	Wharf International Finance Limited	US\$ Guaranteed Notes due 2004	US\$200 Million
		US\$ Guaranteed Series A Notes due 2007	US\$350 Million
(2)	Wharf Treasury (1995) Limited	HK\$ Floating Rate Notes due 2002	HK\$1,417 Million
(3)	Fast Lane Investments Limited	HK\$ Guaranteed Notes due 2004	HK\$500 Million

INTEREST CAPITALISED

The amount of interest (all being borrowing costs) capitalised by the Group during the financial year is set out in Note 5 to the Accounts on page 86.

DONATIONS

The Group made donations during the financial year totalling HK\$2.1 million.

DIRECTORS

The Directors of the Company during the financial year were Messrs G W J Li, R H Burns, V K Fang, J T Hung, H M Jebesen (appointed on September 1, 2001), C P Langley (appointed on August 1, 2001), Q Y K Law, K H Leung, I H Melrose, S T H Ng, T Y Ng, J E Thompson (appointed on September 1, 2001), P Y C Tsui and Professor A K C Li (appointed on October 16, 2001).

Subsequent to the year end, Mr J T Hung resigned from the Board as an Executive Director of the Company with effect from February 1, 2002. (*Subsequent Note: Mr P K C Woo has resumed as Chairman of the Company, and Mr G W J Li has relinquished the title of Chairman and Chief Executive and also assumed the title of Senior Deputy Chairman, all with effect from April 1, 2002. Mr D J Lawrence was appointed a Director and was also designated as an Executive Director, effective April 22, 2002.*)

Mr H M Jebesen, Mr C P Langley, Professor A K C Li and Mr J E Thompson, 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 G W J Li and Mr I H Melrose are also due to retire from the Board by rotation in accordance with Article 103(A), at the forthcoming Annual General Meeting. Mr I H Melrose has decided not to seek re-election at the forthcoming Annual General Meeting. The other retiring Directors, being eligible, offer themselves for re-election.

With the exception of the Chairman and those Directors holding executive offices of the Company (who are all not subject to retirement by rotation under the provisions of the Company's Articles of Association) together with Messrs G W J Li, H M Jebesen, C P Langley, I H Melrose, J E Thompson and Professor A K C Li (who are due to retire from the Board at the forthcoming Annual General Meeting as mentioned above), the remaining five present Directors would continue to serve on the Board for a term of one to two years until they become due to retire from the Board by rotation in 2003 or 2004 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 December 31, 2001, Directors of the Company had the following beneficial interests in the securities of the Company and of two subsidiaries of the Company, namely, i-CABLE Communications Limited ("i-CABLE") and Wharf International Finance Limited ("Wharf International Finance"):

	Quantity held	Nature of Interest
The Company – Ordinary Shares		
Mr Gonzaga W J Li	686,549	Personal interest
Mr Robert H Burns	17,000	Personal interest
Mr Stephen T H Ng	430,057	Personal interest
Mr T Y Ng	178,016	Personal interest
i-CABLE – Ordinary Shares		
Mr Stephen T H Ng	750,000	Personal interest
Wharf International Finance – US\$ Guaranteed Series A Notes due 2007		
Mr Ian H Melrose	US\$300,000	Personal interest

Directors of the Company held the following personal interests as at December 31, 2001 in options to subscribe for shares of the Company granted under the Executive Share Incentive Scheme (the "Scheme") of the Company:

Name of Directors		No. of ordinary shares	Date granted	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of option	Consideration paid for the options granted
Mr Gonzaga W J Li	(i)	210,000	June 22, 1993	17/6/1997 to 16/6/2003	HK\$19.00	HK\$1
Mr Quinn Y K Law	(i)	100,000	June 22, 1993	17/6/1996 to 16/6/2003	HK\$19.00	HK\$1
Mr Stephen T H Ng	(i)	500,000	Apr. 16, 1992	13/4/1995 to 12/4/2002	HK\$12.00	HK\$1
	(ii)	200,000	June 22, 1993	17/6/1996 to 16/6/2003	HK\$19.00	HK\$1
Mr T Y Ng	(i)	100,000	June 22, 1993	17/6/1996 to 16/6/2003	HK\$19.00	HK\$1

During the financial year, Mr Stephen T H Ng exercised options under the Scheme to subscribe for a total of 200,000 ordinary shares of the Company at an exercise price of HK\$9.50 per share, and Mr T Y Ng exercised options under the Scheme to subscribe for a total of 250,000 ordinary shares of the Company at an exercise price of HK\$12.00 per share.

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 December 31, 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 December 31, 2001 as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:

Names	No. of Ordinary Shares
(i) Diplock Holdings Limited	1,050,087,051
(ii) WF Investment Partners Limited	1,069,456,184
(iii) Wheelock and Company Limited	1,241,430,213
(iv) Bermuda Trust (Guernsey) Limited	1,241,430,213

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) above is entirely duplicated or included in the shareholdings stated against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii) and that the shareholdings stated against parties (iii) and (iv) above represent the same block of shares; all of the abovenamed parties were deemed to be interested in the relevant shareholdings under the SDI Ordinance as at December 31, 2001.

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company’s business to which the Company or any of its subsidiaries 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 or any of its subsidiaries a party to any arrangements 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 Company and i-CABLE Communications Limited (“i-CABLE”) granted under the Company’s Executive Share Incentive Scheme and i-CABLE’s Share Option Scheme to certain executives of the Company or its subsidiaries and certain employees of i-CABLE or its subsidiaries respectively, some of whom were Directors of the Company during the year.

Under the rules of the two schemes (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 the Company and i-CABLE would be issued at such prices, not being less than 90% and 80% of their respective average closing prices 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 boards of directors of the Company and i-CABLE respectively.

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.

By Order of the Board

Wilson W S Chan

Secretary

Hong Kong, March 18, 2002