

# 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 principal subsidiaries are set out on pages 107 to 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 2 to the Accounts on pages 79 to 81.

## RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group and appropriations of profits for the financial year ended December 31, 2003 are set out in the Consolidated Profit and Loss Account on page 62.

Movements in reserves during the financial year are set out in Note 25 to the Accounts on pages 95 to 98.

## DIVIDENDS

An interim dividend in respect of the year ended December 31, 2003 of HK\$802 million ("Interim Dividend") was paid by way of (a) cash in an aggregate sum of HK\$294 million ("Cash Dividend"), equivalent to 12 cents per share, and (b) distribution of 244,747,663 shares of HK\$1.00 each in the share capital of i-CABLE Communications Limited ("i-CABLE Shares") held by the Company ("Distribution"), with a value of HK\$2.075 per i-CABLE Share, being the closing price per i-CABLE Share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as at August 19, 2003. On this basis, the Interim Dividend was 32.75 cents per share in total (2002: interim dividend in cash of 28 cents per share). Pursuant to the Distribution, one i-CABLE Share was distributed for every 10 Shares of the Company held. The Cash Dividend was paid, and the share certificates of i-CABLE Shares were also despatched, on September 29, 2003.

The Directors have recommended for adoption at the Annual General Meeting to be held on Tuesday, May 18, 2004 the payment on May 25, 2004 to Shareholders registered on May 18, 2004 of a final dividend in respect of the year ended December 31, 2003 of 28 cents (2002: 28 cents) per share, absorbing a total amount of HK\$685 million (2002: HK\$685 million). If this recommendation is approved, the total dividend for the year 2003 would amount to 60.75 cents per share which is higher than 56 cents for the previous year due to the Distribution.

## FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 12 to the Accounts on pages 88 to 90.

## BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of all such bank loans, overdrafts and/or other borrowings of the Company and of the Group as at December 31, 2003 as are repayable on demand or within a period not exceeding one year are set out in Note 23 to the Accounts on page 94. Particulars of all other bank loans and certain other borrowings as at December 31, 2003 which would fall due for repayment after a period of one year are set out in Note 26 to the Accounts on pages 99 and 100.

Set out below is information regarding certain borrowings of the Group outstanding as at December 31, 2003, 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 Fixed Rate Notes due 2004	US\$188 Million
	US\$ Guaranteed Series A Fixed Rate Notes due 2007	US\$309 Million
(2) Fast Lane Investments Limited	HK\$ Guaranteed Fixed Rate Notes due 2004	HK\$500 Million
(3) Wharf Finance (BVI) Limited	HK\$ Guaranteed Fixed Rate Notes due 2004	HK\$300 Million
	HK\$ Guaranteed Fixed Rate Notes due 2005	HK\$300 Million
	HK\$ Guaranteed Fixed Rate Notes due 2004	HK\$180 Million
	HK\$ Guaranteed Fixed Rate Notes due 2006	HK\$600 Million
	HK\$ Guaranteed Floating Rate Notes due 2008	HK\$100 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 84.

## DONATIONS

The Group made donations during the financial year totalling HK\$3.7 million.

## DIRECTORS

The Directors of the Company during the financial year were Messrs P K C Woo, R H Burns (retired on May 30, 2003), P M F Cheng, E B Christensen (appointed on January 1, 2003), V K Fang, H M Jebsen, C P Langley, Q Y K Law, D J Lawrence, G W J Li, S T H Ng, T Y Ng, J E Thompson, P Y C Tsui (resigned on March 1, 2003), Professor E K Y Chen, Dr R K F Ch'ien and Ms Doreen Y F Lee (appointed on March 1, 2003).

Messrs H M Jebsen, G W J Li, T Y Ng and J E Thompson 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. 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 and those Directors holding executive offices of the Company are not subject to retirement from the Board by rotation. As regards the other Directors (none of them holding any executive title of the Company), four of them will retire as Directors at the forthcoming Annual General Meeting to be held on May 18, 2004 as mentioned above, and the remaining eight 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 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 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 i-CABLE Communications Limited ("i-CABLE") granted under the Company's Executive Share Incentive Scheme (the "Company's Scheme") and i-CABLE's Share Option Scheme (the "i-CABLE's Scheme") respectively to their or their respective group companies' executives/employees, 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 from time to time in force), shares of the Company and i-CABLE may be issued at such prices, not being less than 90% and 80% respectively of the Company's and i-CABLE's 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. During the financial year, no share of the Company or i-CABLE was issued to any Director of the Company under the Company's Scheme or the i-CABLE's Scheme.

## 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 16, 2004