

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, 2004.

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 115 to 117.

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 88 to 90.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group and appropriations of profits for the financial year ended December 31, 2004 are set out in the Consolidated Profit and Loss Account on page 70.

Movements in reserves during the financial year are set out in Note 26 to the Accounts on pages 103 to 106.

DIVIDENDS

An interim dividend of 32.75 cents per share was paid on October 19, 2004. The Directors have now recommended for adoption at the Annual General Meeting to be held on Wednesday, May 18, 2005 the payment on May 25, 2005 to Shareholders on record as at May 18, 2005 of a final dividend of 36 cents per share in respect of the financial year ended December 31, 2004. This recommendation has been disclosed in the Accounts.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 12 to the Accounts on pages 96 to 98.

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, 2004 as are repayable on demand or within a period not exceeding one year are set out in Note 24 to the Accounts on page 102. Particulars of all other bank loans and certain other borrowings as at December 31, 2004 which would fall due for repayment after a period of one year are set out in Note 27 to the Accounts on pages 107 and 108.

Set out below is information regarding certain borrowings of the Group outstanding as at December 31, 2004, 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 Series A Fixed Rate Notes due 2007	US\$309 Million
(2) Wharf Finance (BVI) Limited	HK\$ Guaranteed Fixed Rate Notes due 2005	HK\$300 Million
	HK\$ Guaranteed Fixed Rate Notes due 2006	HK\$600 Million
	HK\$ Guaranteed Floating Rate Notes due 2006	HK\$340 Million
	HK\$ Guaranteed Floating Rate Notes due 2008	HK\$100 Million
	HK\$ Guaranteed Floating Rate Notes due 2009	HK\$100 Million
	HK\$ Guaranteed Floating Rate Notes due 2010	HK\$200 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 93.

DONATIONS

The Group made donations during the financial year totalling HK\$9.2 million.

DIRECTORS

The Directors of the Company during the financial year were Messrs P K C Woo, G W J Li, S T H Ng, D J Lawrence (resigned on January 27, 2005), P M P Chan (appointed on September 30, 2004), P M F Cheng (tendered resignation effective March 31, 2005), E B Christensen, H M Jebesen, C P Langley, Q Y K Law, T Y Ng, J E Thompson, Professor E K Y Chen, Dr R K F Ch'ien, Hon V K Fang and Ms D Y F Lee.

Mr P M P Chan, 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 Professor E K Y Chen, Dr R K F Ch'ien, Hon V K Fang and Mr C P Langley are also due to retire from the Board by rotation in accordance with Article 103(A), at the forthcoming Annual General Meeting. Mr C P Langley has decided not to stand for re-election. The other retiring Directors, being eligible, 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 together with the Deputy Chairman and Managing Director 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) in office as at the date of this report, six of them will retire as Directors at the forthcoming Annual General Meeting to be held on May 18, 2005 or will cease to be Director before that date as mentioned above, and the remaining seven 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 2006 or 2007 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 i-CABLE Communications Limited ("i-CABLE") granted under i-CABLE's Share Option Scheme (the "i-CABLE's Scheme") to certain executives/employees in the i-CABLE group, one or more of whom was/were Director(s) of the Company during the financial year.

Under the rules of the i-CABLE's Scheme (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 i-CABLE would be issued at such prices, not being less than 80% of i-CABLE's 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 would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant, as determined by the board of directors of i-CABLE. During the financial year, no share of i-CABLE was issued to any Director of the Company under 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 15, 2005