

Report of the Directors

For the year ended 31st December 2002

(Expressed in Hong Kong Dollars)

The Directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31st December 2002.

Principal Activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are property development, property investment, hotel and restaurant operation, trading of building materials, share investment, provision of management and maintenance services, property management, insurance agency and sports club operations.

Results and Dividends

The results of the Group for the year are set out in the consolidated income statement. Dividends paid and proposed for the year are set out in note 10 to the financial statements.

Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 23 to the financial statements.

Five Years' Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in Appendix II.

Fixed Assets

The movements in the fixed assets of the Group during the year are set out in note 12 to the financial statements.

Details of the major interests in properties of the Group at 31st December 2002 are set out in Appendix I.

Share Capital

The movements in share capital of the Company during the year are set out in note 22 to the financial statements.

Purchase, Sale or Redemption of Shares

During the year ended 31st December 2002, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

Share Option Scheme

Details of the Company's Share Option Scheme are set out in this Report on pages 25 and 26 and note 26 to the financial statements.

Directors

The Directors of the Company during the year and up to the date of this report were:

Mr. LO Ying Shek

Madam LO TO Lee Kwan

Dr. LO Ka Shui

Mr. LO Kai Shui

Mr. Brian Shane McELNEY*

Mr. CHENG Hoi Chuen, Vincent*

Professor WONG Yue Chim, Richard*

Mrs. LEE Pui Ling, Angelina* (*appointed on 15th May 2002*)

Mr. LO Hong Sui, Antony

Madam LAW Wai Duen

Mr. LO Hong Sui, Vincent

Dr. LO Ying Sui, Archie

Mr. KAN Tak Kwong

* Independent Non-Executive Directors

In accordance with the Company's Bye-Laws, Mr. Brian Shane McELNEY, Madam LAW Wai Duen and Mr. KAN Tak Kwong shall retire from office at the forthcoming Annual General Meeting. They are all eligible for re-election. Mr. Brian Shane McELNEY has decided to retire from the Board and therefore not to stand for re-election. The other two retiring directors have offered themselves for re-election.

The term of office of each Independent Non-Executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

Report of the Directors

Directors' Interests in the Share Capital of the Company and Associated Corporations

As at 31st December 2002, the interests of the Directors and their associates in the shares of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance of Hong Kong ("SDI Ordinance") were as follows:

Name of Director	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
The Company					
LO Ying Shek	5,069,110	–	–	–	5,069,110
LO TO Lee Kwan	–	–	–	–	–
LO Ka Shui	6,156,711	–	6,636,557 Note (5)	306,383,384 Note (1)	319,176,652
LO Kai Shui	–	–	671,523 Note (6)	306,383,384 Note (1)	307,054,907
Brian Shane McELNEY	14,000	–	–	–	14,000
CHENG Hoi Chuen, Vincent	–	10,000	–	–	10,000
WONG Yue Chim, Richard	–	–	–	–	–
LEE Pui Ling, Angelina	–	–	–	–	–
LO Hong Sui, Antony	2,769	–	–	–	2,769
LAW Wai Duen	238,402	–	–	306,383,384 Note (1)	306,621,786
LO Hong Sui, Vincent	279	–	–	–	279
LO Ying Sui, Archie	3,805,046	3,662	300,000 Note (7)	306,383,384 Note (1)	310,492,092
KAN Tak Kwong	314,503	–	–	–	314,503

Directors' Interests in the Share Capital of the Company and Associated Corporations (Cont'd)

During the year ended 31st December 2002, movements of the share options granted to Directors (some are also substantial shareholders) under the Company's share option schemes as required to be disclosed according to Rule 17.07 of the Stock Exchange Listing Rules were as follows:

Name of Director	*Year of grant of options	Number of shares					Options lapsed on 15/04/2002	Outstanding options at 31/12/2002
		Outstanding options at 01/01/2002	Options granted	Options exercised	Options cancelled			
LO Ying Shek	1997	120,000	-	-	-	(120,000)	-	
	1998	300,000	-	-	-	-	300,000	
	1999	120,000	-	-	-	-	120,000	
	2000	130,000	-	-	-	-	130,000	
	2001	180,000	-	-	-	-	180,000	
	2002	-	150,000	-	-	-	150,000	
			850,000	150,000	-	-	(120,000)	880,000
LO Ka Shui	1997	120,000	-	-	-	(120,000)	-	
	1998	300,000	-	-	-	-	300,000	
	1999	120,000	-	-	-	-	120,000	
	2000	130,000	-	-	-	-	130,000	
	2001	180,000	-	-	-	-	180,000	
	2002	-	150,000	-	-	-	150,000	
			850,000	150,000	-	-	(120,000)	880,000

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Directors' Interests in the Share Capital of the Company and Associated Corporations (Cont'd)

Name of Director	*Year of grant of options	Number of shares					Options lapsed on 15/04/2002	Outstanding options at 31/12/2002
		Outstanding options at 01/01/2002	Options granted	Options exercised	Options cancelled			
LO Kai Shui	1997	120,000	-	-	-	(120,000)	-	
	1998	300,000	-	-	-	-	300,000	
	1999	120,000	-	-	-	-	120,000	
	2000	130,000	-	-	-	-	130,000	
	2001	180,000	-	-	-	-	180,000	
	2002	-	150,000	-	-	-	150,000	
		850,000	150,000	-	-	(120,000)	880,000	
KAN Tak Kwong	1997	50,000	-	-	-	(50,000)	-	
	1998	450,000	-	-	-	-	450,000	
	1999	25,000	-	-	-	-	25,000	
	2000	50,000	-	-	-	-	50,000	
	2001	130,000	-	-	-	-	130,000	
	2002	-	110,000	-	-	-	110,000	
		705,000	110,000	-	-	(50,000)	765,000	
Total:		3,255,000	560,000	-	-	(410,000)	3,405,000	

Notes:

- (1) Options granted in the years of 1997 to 1999 were granted under the previous Executive Share Option Scheme which expired on 16th March 1999. Options granted in the years of 2000 to 2002 were granted under Great Eagle Holdings Limited Share Option Scheme (formerly Executive Share Option Scheme) adopted on 10th June 1999.
- (2) Consideration paid for each grant of option was \$1.00.
- (3) The closing price of shares of \$0.50 each of the Company ("Shares") quoted on the Stock Exchange on 25th January 2002, being the business date immediately before the date (28th January 2002) on which share options were granted, was \$8.35.
- (4) The share options granted are not recognised in the financial statements until they are exercised. The Directors consider that it is not appropriate to disclose the value of options granted during the year, since any valuation of the above options would be subject to a number of assumptions that would be subjective and uncertain.

* Further required particulars of share options granted in each year are set out in note 26 to the financial statements.

Directors' Interests in the Share Capital of the Company and Associated Corporations (Cont'd)

Other than as disclosed above, none of the Directors nor their associates had any interest in any securities of the Company or its associated corporations as defined in the SDI Ordinance. Furthermore, none of the Directors nor any of their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Substantial Shareholders' Interests in the Company

As at 31st December 2002, the following Shareholders, not being Directors of the Company, were recorded in the register kept pursuant to Section 16(1) of SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company:

Name of Shareholder	Number of shares	Notes
LO Hung Suen	306,383,384	(1)
LO Wai Ki, Gwen	309,462,464	(1)
Shui Sing Company, Limited	81,667,316	(2)
Galtee Investment Limited	95,097,946	(2)
Shui Sing Holdings Limited	255,380,375	(3)
Shui Sing (BVI) Limited	255,380,375	(3)
HSBC Group *	306,747,369	(4)

* HSBC Group included HSBC Holdings plc and its subsidiaries, namely, HSBC Bank plc, Midcorp Limited, Griffin International Limited, HSBC Europe BV, HSBC Europe (Netherlands) BV, HSBC Private Banking Holdings (Suisse) SA and HSBC International Trustee Limited.

Notes:

- (1) The 306,383,384 shares of Dr. LO Ka Shui, Mr. LO Kai Shui, Madam LAW Wai Duen, Dr. LO Ying Sui, Archie and Madam LO Hung Suen and 306,383,384 of the 309,462,464 shares of Madam LO Wai Ki, Gwen were the same parcel of shares.
- (2) The 81,667,316 shares held by Shui Sing Company, Limited and the 95,097,946 shares held by Galtee Investment Limited duplicated with the interests described in Note (3). Both of these companies were direct wholly-owned subsidiaries of Shui Sing (BVI) Limited which was a direct wholly-owned subsidiary of Shui Sing Holdings Limited.
- (3) These 255,380,375 shares held by Shui Sing Holdings Limited and Shui Sing (BVI) Limited were the same parcel of shares and were duplicated in the interests described in Note (1).
- (4) 306,383,384 shares of the 306,747,369 shares were the same parcel of shares as described in Note (1). HSBC International Trustee Limited ("HKIT"), as trustee of a discretionary trust in which the persons mentioned in Note (1) are the beneficiaries, were interested and/or deemed to be interested in the said 306,383,384 shares. The remaining shares were held by other trusts for which HKIT and a Hang Seng Bank Limited's subsidiary acted as trustees.
- (5) The 6,636,557 shares were held by a company in which Dr. LO Ka Shui had entire interest.
- (6) The 671,523 shares were held by a company in which Mr. LO Kai Shui had entire interest.
- (7) The 300,000 shares were held by a company in which Dr. LO Ying Sui, Archie had entire interest.

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Directors' Interest in Contracts

Save as disclosed under connected transactions below, no contracts of significance to which the Company or any of its subsidiaries 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 year or at any time during the year.

Connected Transactions

Nomination of Nominated Sub-contractors under the Main Contract for the Mongkok Project

Renaissance City Development Company Limited (the "Developer"), a wholly-owned subsidiary of the Company, entered into a Main Contract dated 12th November 2001 (the "Main Contract") with Sun Fook Kong Holdings Limited (the "Main Contractor") whereby the Developer appointed the Main Contractor for the construction of the superstructure of the Mongkok Project comprising an office/retail/hotel complex and associated basement excavation for the retail portion for a consideration of \$3,110 million. The transaction constituted a discloseable and connected transaction for the Company under the Stock Exchange Listing Rules and was disclosed in the 2001 Annual Report.

The Main Contract provides that the Developer will, through a competitive tendering process, designate nominated suppliers and subcontractors to carry out certain works covered by the Main Contract. Pursuant to the Main Contract and on 22nd April 2002, the Developer nominated (a) Sun Fook Kong E&M Management Limited as the nominated sub-contractor for the sub-contract for HVAC and electrical installation and (b) Daido Steel Works & Engineering Limited as the nominated sub-contractor for the sub-contract for plumbing, drainage and Town Gas installation. The nominated sub-contractors are wholly-owned subsidiaries of the Main Contractor. The Developer made the nominations after a competitive tendering process for each of the sub-contracts, on the basis that the nominated sub-contractors have submitted the lowest tenders for the relevant sub-contracts and on the basis of the analysis of the tenders made by the architect, the quantity surveyor and the electrical and mechanical consultant of the Mongkok Project.

The contract sums of the sub-contracts, being \$279 million and \$53 million respectively, have already been included in the total contract sum of \$3,110 million under the Main Contract.

As at 19th April 2002, certain members of the Lo Ying Shek family and their related trusts and companies (the "LYS Group") were interested in shares representing in aggregate approximately 63.06% of the issued share capital of the Company. The Main Contractor was owned as to 95.92% and controlled by certain members of the LYS Group. In view of the interest of the LYS Group in the sub-contracts, the nominations for the sub-contracts constituted connected transactions for the Company under the Stock Exchange Listing Rules. An announcement was made on 22nd April 2002 as required under the Listing Rules.

Arrangements to Acquire Shares or Debentures

Except for the Great Eagle Holdings Limited Share Option Scheme (formerly known as Executive Share Option Scheme) established by the Company, at no time during the 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 the acquisition of shares in, or debentures of, the Company or any other body corporate.

Service Contracts

There is no service contract with a Director which is not determinable by the Company within one year without payment of compensation (other than statutory compensations).

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-Laws although there is no statutory restriction against such rights under the laws in Bermuda.

Major Customers and Suppliers

During the year, the sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of total sales and purchases respectively.

Code of Best Practice

The Company has complied throughout the year ended 31st December 2002 with the Code of Best Practice as set out in Appendix 14 of the Stock Exchange Listing Rules.

Donations

Donations made by the Group for charitable and other purposes amounted to \$212,795.

Auditors

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

LO Ying Shek

Chairman

Hong Kong, 11th March 2003