

Report of the Directors

For the year ended 31st December 2003

The Directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31st December 2003.

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 operation.

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 properties of the Group at 31st December 2003 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 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

Report of the Directors

Share Option Scheme

Details of the Company's Share Option Scheme are set out in this Report on pages 32 and 33 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* (*retired at the 2003 Annual General Meeting held on 14th May 2003*)

Mr. CHENG Hoi Chuen, Vincent*

Professor WONG Yue Chim, Richard*

Mrs. LEE Pui Ling, Angelina*

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. LO Hong Sui, Antony, Dr. LO Ying Sui, Archie, Professor WONG Yue Chim, Richard and Mrs. LEE Pui Ling, Angelina shall retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

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

As at 31st December 2003, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong ("SFO") were as follows:

The Company

Name of Director	Number of shares (Long Positions)				Total	Percentage of issued share capital	Outstanding share options
	Personal interests	Family interests	Corporate interests	Other interests			
LO Ying Shek	5,069,110	–	–	–	5,069,110	0.87	730,000
LO Ka Shui	6,156,711	–	6,636,557	306,383,384	319,176,652	54.62	730,000
			Note (8)	Note (1)			
LO Kai Shui	–	–	671,523	306,383,384	307,054,907	52.55	730,000
			Note (9)	Note (1)			
CHENG Hoi Chuen, Vincent	–	10,000	–	–	10,000	–	–
LO Hong Sui, Antony	2,842	–	–	–	2,842	–	–
LAW Wai Duen	238,402	–	–	306,383,384	306,621,786	52.48	–
				Note (1)			
LO Hong Sui, Vincent	286	–	–	–	286	–	–
LO Ying Sui, Archie	3,855,046	3,662	–	306,383,384	310,242,092	53.10	–
				Note (1)			
KAN Tak Kwong	314,503	–	–	–	314,503	0.05	415,000

Other than as stated above, none of the Directors and their associates had any interest or short position in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO).

Report of the Directors

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

During the year ended 31st December 2003, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange Listing Rules") were as follows:

Name of Director	*Year of grant of options	Number of shares					Options lapsed on 22/01/2003	Outstanding options at 31/12/2003
		Outstanding options at 01/01/2003	Options granted	Options exercised	Options cancelled			
LO Ying Shek	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	
	2003	-	150,000	-	-	-	-	150,000
		880,000	150,000	-	-	(300,000)	730,000	
LO Ka Shui	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	
	2003	-	150,000	-	-	-	-	150,000
		880,000	150,000	-	-	(300,000)	730,000	
LO Kai Shui	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	
	2003	-	150,000	-	-	-	-	150,000
		880,000	150,000	-	-	(300,000)	730,000	
KAN Tak Kwong	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	
	2003	-	100,000	-	-	-	-	100,000
		765,000	100,000	-	-	(450,000)	415,000	
Total:		3,405,000	550,000	-	-	(1,350,000)	2,605,000	

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

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

Notes:

- (a) Options granted in the years of 1998 and 1999 were granted under the previous Executive Share Option Scheme which expired on 16th March 1999. Options granted in the years of 2000 to 2003 were granted under the Great Eagle Holdings Limited Share Option Scheme adopted on 10th June 1999.
- (b) Consideration paid for each grant of option was HK\$1.00.
- (c) The closing price of the shares of HK\$0.50 each of the Company quoted on the Stock Exchange on 7th February 2003, being the business date immediately before the date (10th February 2003) on which share options were granted, was HK\$4.55.
- (d) The fair value of all the options granted under the relevant share option scheme in the current year, measured at the date of grant (10th February 2003), totalled approximately HK\$1,145,000. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Expected volatility	:	32.36% based on historical volatility
Expected dividend yield	:	2.81% based on historical dividends
Expected life	:	5 years from grant date
Risk free interest rate	:	2.98% being the approximate yield of 5-year Exchange Fund Note on the grant date

The Black-Scholes option pricing model was developed to estimate the fair value of traded options which do not have vesting restrictions and are fully transferable. This pricing model requires the input of highly subjective assumptions, including the volatility of the share price. As the Company's options are different from traded options and because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the model does not necessarily provide a reliable single measure of the fair value of the share options.

All the options forfeited before expiry of the options will be treated as lapsed options under the relevant share option scheme.

Based on the closing price of the Company's share on the date of grant and the above assumptions, the computed fair value under the options granted during 2003 was approximately HK\$1.15 per option share.

- (e) The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Report of the Directors

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 SFO. 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 2003, the following Shareholders, not being Directors of the Company, were recorded in the register of interests and short positions in the shares, underlying shares kept under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company:

Name of Shareholder	Number of shares (Long Positions)	Percentage of issued share capital	Notes
LO Wai Ki, Gwen	309,462,464	52.96	(1)
LO Hung Suen	306,383,384	52.44	(1)
Shui Sing Holdings Limited	255,380,375	43.71	(2)
Shui Sing (BVI) Limited	255,380,375	43.71	(2)
Galtee Investment Limited	95,097,946	16.28	(3)
Shui Sing Company, Limited	81,667,316	13.98	(3)
Egerton Holdings Limited	46,362,901	7.93	(3)
Springtime Int'l Limited	39,423,892	6.75	(4)
Full Harvest Holdings Limited	39,423,892	6.75	(4)
Gainsland Investments Limited	37,390,058	6.40	(5)
HSBC International Trustee Limited	309,618,660	52.99	(6)
The Capital Group Companies, Inc.	42,232,000	7.23	(7)

Substantial Shareholders' Interests in the Company (Cont'd)

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) 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).
- (3) The 95,097,946 shares held by Galtee Investment Limited, the 81,667,316 shares held by Shui Sing Company, Limited and the 46,362,901 shares held by Egerton Holdings Limited were duplicated in the interests described in Note (2). All 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.
- (4) These 39,423,892 shares held by Springtime Int'l Limited and Full Harvest Holdings Limited were the same parcel of shares.
- (5) The 37,390,058 shares held by Gainsland Investments Limited was duplicated in the interests described in Note (4). This company was a direct wholly-owned subsidiary of Full Harvest Holdings Limited which was a direct subsidiary of Springtime Int'l Limited.
- (6) 306,383,384 shares of the 309,618,660 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) were 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 acted as trustee.
- (7) The 42,232,000 shares were held by The Capital Group Companies, Inc. in the capacity of investment manager.
- (8) The 6,636,557 shares were held by a company in which Dr. LO Ka Shui had entire interest.
- (9) The 671,523 shares were held by a company in which Mr. LO Kai Shui had entire interest.

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.

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Connected Transactions

Mongkok Project

Nomination of Nominated Sub-contractor under the Main Contract

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 (“SFK”) whereby the Developer appointed SFK 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 HK\$3,110 million. The transaction constituted a discloseable and connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “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 23rd April 2003, the Developer nominated Profit Boat Development Limited (the “NSC”) as the nominated sub-contractor for the sub-contract for design, supply and installation of aluminum roofing system and over-cladding for the retail block and the grand atrium of the Mongkok Project (the “Roof Sub-contract”). The contract sum of the Roof Sub-contract was approximately HK\$233.36 million (the “Contract Sum”).

The NSC is a 55%-owned subsidiary of SFK. The remaining 45% is owned by a director of the NSC who is not a connected person (as defined under the Listing Rules) of SFK.

The Developer made the nomination after a competitive tendering process for the Roof Sub-Contract, on the basis that the NSC has submitted the lowest tender for the Roof Sub-contract and on the basis of the analysis of the tenders made by the architect, the quantity surveyor and the curtain wall and cladding consultant of the Mongkok Project.

As at 7th April 2003, certain members of the Lo Ying Shek Family and their related trusts and companies (the “LYS Group”) were interested in shares of the Company representing in aggregate approximately 63.77% of the issued shares of the Company. SFK 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 Roof Sub-contract, the nomination for the Roof Sub-contract constituted a connected transaction for the Company under the Listing Rules. As the Contract Sum represented approximately 0.16% of the audited consolidated net tangible asset value of the Company as at 31st December 2002, the Roof Sub-contract did not require the approval of the independent shareholders of the Company. An announcement was made on 23rd April 2003 as required under the Listing Rules.

Connected Transactions (Cont'd)

Mongkok Project (Cont'd)

Supplementary Agreement re Foundation Contract

By an agreement dated 11th August 1999, the Developer appointed SFK as the contractor to carry out certain parts of the foundation works for the Mongkok Project (the "Foundation Contract") for a consideration of HK\$166 million. An announcement was made by the Company in respect of the Foundation Contract on 11th August 1999.

On 31st October 2003, the Developer and SFK entered into a supplementary agreement (the "Supplementary Agreement") whereby the final contract sum for the Foundation Contract was agreed at HK\$222.15 million, which was HK\$56.15 million above the original contract sum of HK\$166 million. The increase in the contract sum was attributable to unexpectedly difficult site conditions and the ancillary risk of settlement of the adjacent MTR Entrance and major variations to the original contract including the advance provision for the special retail design for the Mongkok Project and the execution of certain advance construction works to avoid delay under the Main Contract. The decision to enter into the Supplementary Agreement with SFK was based upon the assessment and recommendation of the architect, quantity surveyor and the structural engineer of the Mongkok Project.

As at 15th October 2003, certain members of the LYS Group were interested in shares representing in aggregate approximately 63.58% of the issued shares of the Company. SFK 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 Supplementary Agreement, the transaction constituted a connected transaction for the Company under the Listing Rules. As the agreed amount of the increase of HK\$56.15 million and the final contract sum of the Foundation Contract of HK\$222.15 million represented 0.40% and 1.57% respectively of the unaudited consolidated net tangible asset value of the Company as at 30th June 2003, the Supplementary Agreement did not require the approval of the independent shareholders of the Company. An announcement was made by the Company on 31st October 2003 as required under the Listing Rules.

Arrangements to Acquire Shares or Debentures

Except for the Great Eagle Holdings Limited 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.

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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 2003 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 HK\$248,300.

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 Ka Shui

*Deputy Chairman
and Managing Director*

Hong Kong, 8th March 2004