

DIRECTORS' REMUNERATION AND INTERESTS REPORT

DIRECTOR COMPENSATION

Executive Director Emoluments

The Board first established the Emoluments Review Committee in 1987 to review and determine the remuneration of executive Directors.

The Committee is chaired by Sir David Akers-Jones, Independent non-executive Deputy Chairman, and has a majority of Independent non-executive Directors. Its other members are F.K. Hu and Dr. Geoffrey M.T. Yeh (Independent non-executive Director).

The Committee met once in 2003, with a 100% attendance. No executive Director attended the Emoluments Review Committee meeting.

The Group's remuneration policy seeks to provide a fair market remuneration in a form and value to attract, retain and motivate high quality staff and at the same time to reflect the importance of aligning awards with shareholder interests.

Management makes recommendations to the Committee on the Company's framework for, and cost of, executive Director remuneration and the Committee then reviews these recommendations. On matters other than those concerning him, the Chairman or Managing Director may be invited to Committee meetings. No Directors is involved in deciding his own remuneration.

Management seeks to set levels of remuneration to ensure comparability and competitiveness with Hong Kong-based companies competing within a similar talent pool, with particular emphasis on the property industry. Independent professional advice will be sought to supplement internal resources where appropriate.

A review was carried out regarding the compensation of the Chairman and Managing Director in November 2003. The new levels of remuneration reflect comparator market information and advice from independent consultants (Watson Wyatt Hong Kong Limited). The proportion of total remuneration which is performance-related has also been increased following the review, in line with human resources practices.

Details of Director (including individual executive Director) emoluments and options are set out on notes 6 and 34 respectively to the financial statements.

Non-Executive Director Emoluments

The non-executive Directors received fees totalling HK\$493,219 for 2003. They received no other compensation from the Group.

The Independent non-executive Deputy Chairman receives total annual fee of HK\$111,305 (comprising the annual fee of HK\$65,000 for the Deputy Chairman office; HK\$20,000 per annum for Audit Committee he sits; the balance being reimbursement of expenses). Other non-executive Directors being entitled to an annual fee of HK\$50,000. Members of the Audit Committee receive an additional annual fee of HK\$20,000. None of the non-executive Directors receive any pension benefits from the Company, nor do they participate in any bonus or incentive schemes. The fees are determined by the general meeting. The Board will take into consideration (inter alia) fees paid by comparator organisations.

SERVICE CONTRACTS

No Director has a service contract that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION AND INTERESTS REPORT *continued***DIRECTORS' INTERESTS IN SHARES**

As at 31 December 2003, the interests and short positions of the Directors and alternate Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

Interests in Shares of the Company

| Name | No. of shares held | | | | Total | % of the issued share capital |
|--|--------------------|---------------------|-----------------------|-----------------------|-----------|-------------------------------|
| | Personal Interests | Family Interests | Corporate Interests | Other Interests | | |
| Peter Ting Chang Lee | 2,000,000 | — | 4,083,823 (Note 1) | — | 6,083,823 | 0.583 |
| Michael Tze Hau Lee | 1,023,233 | — | — | — | 1,023,233 | 0.098 |
| Fa-kuang Hu | — | — | 255,012 (Note 2) | — | 255,012 | 0.024 |
| Hans Michael Jebsen | 60,000 | — | 2,432,914 (Note 1) | — | 2,492,914 | 0.239 |
| Per Jorgensen | 6,678 | — | — | — | 6,678 | 0.001 |
| Chien Lee | 970,000 | — | 4,083,823 (Note 1) | 3,750,000 (Note 3) | 8,803,823 | 0.844 |
| Michael Chi Kung Moy * | — | 131,565 (Note 4) | — | — | 131,565 | 0.013 |
| Deanna Ruth Tak Yung Rudgard | 1,871,600 | — | — | — | 1,871,600 | 0.179 |
| Pauline Wah Ling Yu Wong | 254,000 | — | — | — | 254,000 | 0.024 |
| Geoffrey Meou-tsen Yeh | 252,332 | — | 1,000 (Note 1) | — | 253,332 | 0.024 |
| V-nee Yeh (alternate to Geoffrey Meou-tsen Yeh) | 43,259 | — | 84,575 (Note 1) | — | 127,834 | 0.012 |

All interests stated above represent long positions.

Certain executive Directors of the Company have been granted share options under the Company's Executive Share Option Scheme (details are set out under "Executive Share Options" below). These constitute interests in underlying shares of equity derivatives of the Company under the SFO.

Notes:

- (1) Such shares were held through corporations in which the respective Directors were members entitled to exercise one-third or more of the voting power at general meetings. Corporate interests of Peter Ting Chang Lee and Chien Lee relate to the same corporation.
 - (2) Such shares were held by a company which was wholly-owned by Fa-kuang Hu and he was deemed to have beneficial interests in all these shares.
 - (3) Such shares were held through a discretionary trust of which Chien Lee was a beneficiary.
 - (4) These shares were held by the wife of Michael Chi Kung Moy who was therefore deemed to have interest in them.
- * Michael Chi Kung Moy resigned as a Director of the Company on 28 January 2004.

Executive Share Options

The Company operates an Executive Share Option Scheme (the "Scheme") under which options may be granted to employees of the Company or any of its wholly-owned subsidiaries to subscribe for ordinary shares of the Company, thereby strengthening the links between individual staff and shareholder interests. Approved by shareholders on 28 April 1995, the Scheme has a term of ten years. The maximum number of shares in respect of which options may be granted under the Scheme (together with shares issued and issuable under the Scheme) is 3% of the issued share capital of the Company (excluding shares issued pursuant to the Scheme) from time to time. The maximum entitlement of each participant under the Scheme is 25% of the maximum number of shares in respect of which options may at any time be granted under the Scheme. The exercise price was fixed at 80% of the average of the closing prices of the shares on the Stock Exchange for the twenty trading days immediately preceding the date of grant. Consideration to be paid on each grant of option is HK\$1.00, with full payment for exercise price to be made on exercise of the relevant option.

As at the date of this report, Scheme participants were executive Directors of the Company with shares issuable under options granted representing less than 0.4% of the issued share capital of the Company.

Details of the options expiring, granted and outstanding to them and movement during the period are as follows:

| Name | Balance as at 1.1.2003 | Date of grant | Changes During the Year | | | Balance as at 31.12.2003 | Exercise price (HK\$) | Exercisable period |
|--------------------------|------------------------------|------------------|-------------------------|---------|-----------|--------------------------------|-----------------------------|-----------------------|
| | | | Cancelled/ Lapsed | Granted | Exercised | | | |
| Peter Ting Chang Lee | 1,350,000 | 7.1.99 | NIL | NIL | NIL | 1,350,000 | 9.22 | 7.1.01-6.1.09 |
| Pauline Wah Ling Yu Wong | 900,000 | 3.5.95 | NIL | NIL | NIL | 900,000 | 13.46 | 3.5.97-2.5.05 |
| Michael Chi Kung Moy * | 1,200,000 | 23.12.99 | NIL | NIL | NIL | 1,200,000 | 7.54 | 23.12.01-22.12.09 |

* Michael Chi Kung Moy resigned as a Director of the Company on 28 January 2004.

All options referred to above are subject to a five-year vesting period and a bar on the exercise of options within the first two years of their issue.

No options have been granted since the coming into force of certain new Listing Rules requirements. Future grants will only be made under the existing Scheme where new Listing Rules requirements are complied with.

Apart from the Scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

The power of grant to executive Directors is vested in the Emoluments Review Committee and otherwise pursuant to Listing Rules requirements.

DIRECTORS' REMUNERATION AND INTERESTS REPORT *continued*

The Board delegated the authority to make grants to other management staff to the Chairman and Managing Director, with the view to further strengthening the links between staff and shareholder objectives and to balance the interests of shareholders generally. The exercise price will be set at at least the higher of (i) the closing price of the Company's ordinary shares on the date of grant; and (ii) the average closing price of such shares for the five days immediately before the grant. Interests of shareholders will be balanced by having appropriate aggregate and individual grant limits, also being in line with new Listing Rules requirements. A clear performance criterion will be the main driver.

Interests in Shares of Associated Corporations

Listed below are certain Directors' interests in the shares of Parallel Asia Engineering Company Limited ("PAECL"), a 25% associate of the Company.

| Name | No. of shares held | % of the issued share capital |
|---|-------------------------|-------------------------------|
| Fa-kuang Hu | 5,000 (<i>Note 5</i>) | 50 |
| Raymond Liang-ming Hu (alternate to Fa-kuang Hu) | 5,000 (<i>Note 5</i>) | 50 |

Notes:

- (5) Ryoden Development Limited ("Ryoden Development") has a 50% interest in the issued share capital in PAECL through a wholly-owned subsidiary. Fa-kuang Hu and Raymond Liang-ming Hu are deemed to be interested in PAECL by virtue of their interests as beneficiaries of a discretionary trust which has an indirect controlling interest in Ryoden Development.

Apart from the above, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as at 31 December 2003 were recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF DIRECTORS' INTERESTS IN COMPETING BUSINESS UNDER THE LISTING RULES

The Group is engaged principally in the property investment, development and management of high quality investment properties in Hong Kong. The following Directors are considered to have interests in other activities ("Deemed Competing Business") that compete or are likely to compete with the said core business of the Group, all within the meaning of the Listing Rules.

For the reasons stated below, and coupled with the diligence of the Group's Independent non-executive Directors and the Audit Committee, the Group is capable of carrying on its business independent of and at arm's length from the Deemed Competing Business.

- (i) Peter T. C. Lee, Anthony H. P. Lee, Chien Lee, Michael T. H. Lee and Dr. Deanna R. T. Y. Rudgard are members of the founding family whose range of general investment activities include property investments in Hong Kong and overseas. In the light of the size and dominance of the portfolio of the Group, such disclosed Deemed Competing Business is considered immaterial.
- (ii) F. K. Hu (and his alternate, Raymond L. M. Hu) are directors and have an indirect substantial interest in Designcase Limited and its subsidiaries, which are engaged in investment holding, property investment and development, property agency and management, project management in both the People's Republic of China and Hong Kong.
- (iii) Hans Michael Jebsen is a non-executive director of The Wharf (Holdings) Limited whose business includes, inter alia, property investment, development and management in both the People's Republic of China and Hong Kong.

The Company's management team is separate and independent from that of the companies identified in (ii) and (iii) above. In addition, the relevant Directors have non-executive roles and are not involved in the Company's day-to-day operations and management.

RELATED PARTY AND CONNECTED TRANSACTIONS

The Group has provided shareholder loans to a non wholly-owned subsidiary in proportion to its shareholding. The quasi-equity loans were provided in the ordinary course of the Group's business. These activities constitute financial assistance and "Connected Transactions" under the Listing Rules.

The Group also entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to contracts entered into by the Company in the ordinary course of business, which contracts were negotiated on normal commercial terms and on an arm's length basis.

Further details are set out in note 40 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Except as disclosed above, no contract of significance 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 year or at any time during the year.

By order of the Board
Wendy W.Y. Yung
Company Secretary

Hong Kong, 9 March 2004