

R E P O R T O F T H E D I R E C T O R S

The directors submit their report together with the audited accounts for the year ended 31st December 2003.

Principal Activities and Segment Analysis of Operations

The principal activity of the Company is investment holding. The activities of its jointly controlled entities and subsidiaries are shown in notes 13 and 27 to the accounts respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

Results and Appropriations

The results of the Group for the year ended 31st December 2003 are set out in the consolidated profit and loss account on page 20.

The directors recommend the payment of a final dividend of HK\$0.35 per share, totalling approximately HK\$15,978,000. Subject to the approval at the Annual General Meeting, the final dividend will be paid on 21st May 2004.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts.

Distributable Reserves

Distributable reserves of the Company at 31st December 2003, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$ 405,324,000 (2002: HK\$410,393,000).

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

Principal Properties

Details of the principal properties of the Group are set out on page 59.

Share Capital

Details of the movements in share capital of the Company are set out in note 18 to the accounts.

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Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

Directors

The names of the directors of the Company who held office during the year and up to the date of this report are set out on page 2. The biographical details of the directors are set out on page 9.

Mr. James Julius Bertram, Mr. Robert Tsai To Sze and Ms. Jennie Chen retire in accordance with Bye-Law 100 of the Bye-Laws of the Company and, being eligible, offer themselves for re-election.

Mr. R. Bischof retires by rotation in accordance with Bye-Law 109(A) of the Bye-Laws of the Company and, being eligible, offers himself for re-election.

The non-executive directors are subject to rotation in accordance with Bye-Law 109(A) of the Bye-Laws of the Company.

None of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests

As at 31st December 2003, the interests of the Directors and Chief Executive in the share capital of the Company as recorded in the Register of Directors'/Chief Executive's Interests and Short Positions maintained under Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

Name	Shares of HK\$0.10 each of the Company				% of issued share capital
	Personal interests	Family interests	Corporate interests	Total	
Yun Cheng Wang	3,625,446	-	-	3,625,446	7.942%
Hung Ching Yung	10,701,944	30,000	5,500,000	16,231,944	35.557%
			(Note)		
Lincoln C. K. Yung	2,240,000	10,000	-	2,250,000	4.929%
Rudolf Bischof	100,000	-	-	100,000	0.219%

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Directors' Interests *(con't)*

Note : As stated below, Mr Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by a substantial shareholder, Tankard Shipping Co. Inc., pursuant to the SFO.

During the year, the Company has not granted to any Directors, Chief Executive or their respective spouses and children under 18 years of age any rights to subscribe for shares of the Company.

No contracts of significance in relation to the business of the Group to which the Company or 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.

At no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or Chief Executive or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 31st December 2003, the Register of Substantial Shareholders' Interest and Short Positions maintained under Section 336 of the SFO shows that the following party, other than the Directors as disclosed above, was interested in 5 per cent or more of the issued share capital of the Company :

	No. of shares	% of issued share capital
Tankard Shipping Co. Inc.	5,500,000 (Note)	12.047%

Note : Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by Tankard Shipping Co. Inc. pursuant to the SFO.

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D I R E C T O R S (con't)

Purchase, Sale or Redemption of Shares

During the year, the Company repurchased 630,000 of its shares on The Stock Exchange of Hong Kong Limited, all of which have been cancelled. The directors consider that the repurchase of shares will benefit the shareholders by enhancing the net asset value per share. Details of the shares repurchased are as follows:

Month of repurchase	Number of shares	Price per share		Aggregate price HK\$
		Highest HK\$	Lowest HK\$	
2003				
January	20,000	4.80	4.65	94,500
February	20,000	4.65	-	93,000
March	10,000	4.65	-	46,500
April	7,000	4.70	4.50	31,900
May	30,500	5.70	5.10	159,950
June	54,000	5.70	5.40	304,500
July	71,000	5.70	5.60	402,925
August	40,000	5.60	-	224,000
September	48,000	6.50	6.20	303,200
October	179,500	6.85	6.60	1,216,450
November	95,000	6.90	6.75	646,825
December	55,000	7.00	6.70	383,800
	630,000			3,907,550

Except as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to issue of new shares by the Company.

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Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Suppliers and Customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

- the largest supplier	64%
- five largest suppliers combined	93%

The five largest customers for the year are tenants of the Group's investment properties. Income from the largest and five largest customers combined constitutes 15% and 27% of the Group's total income from investment properties for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Corporate Governance

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, except that the non-executive directors have not been appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-Laws of the Company.

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Audit Committee

Pursuant to the Listing Rules, an audit committee was established on 25th September 1998. The audit committee of the Company comprises of two independent non-executive directors, namely Mr. Rudolf Bischof and Mr. Robert Tsai To Sze.

By reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted by the Board of the Company on the same date. The principal activities of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls.

Related Party Transactions

Details of related party transactions are set out in note 25 to the accounts. None of the transactions constitute a connected transaction as defined in the Listing Rules.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Rudolf Bischof

Chairman

Hong Kong, 2nd April 2004