

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).

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 Director is involved in deciding his own remuneration.

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. Remuneration packages are set at levels 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.

Following a review completed in November 2003 by the Committee, the Company has developed a policy that involves top management (the Chairman and Managing Director) having a remuneration package consisting of several remuneration components. The fixed part of the package is a combination of basic salary and benefits. The proportion of performance-based compensation has been increased. In addition, there are arrangements for a long-term incentive plan. The new levels of remuneration (note 6 to the financial statements) reflect comparator market information and advice from independent consultants (Watson Wyatt Hong Kong Limited). No executive Director was involved in determining his own remuneration.

The Emoluments Review Committee last met in March 2005 to determine the 2004 performance-based annual incentive of the Chairman and Managing Director. There was 100% attendance without any executive Director presence.

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

Non-executive Director Emoluments

The Directors' fees are subject to shareholder approval at general meeting. The non-executive Directors received fees totalling HK\$475,000 for 2004. Their remuneration comprises a basic annual director's fee of HK\$50,000 per annum; fee for serving on Audit Committee (HK\$20,000 per annum). They received no other compensation from the Group.

The Independent non-executive Deputy Chairman receives total annual fee of HK\$85,000 (comprising the annual fee of HK\$65,000 for the Deputy Chairman office and HK\$20,000 per annum for Audit Committee he sits). None of the non-executive Directors receive any pension benefits from the Company, nor do they participate in any bonus or incentive schemes.

DIRECTOR COMPENSATION *continued*

Non-executive Director Emoluments *continued*

Taking into consideration the level of responsibility, experience and abilities required of the Directors, and fees offered for similar positions in comparable companies, proposals will be tabled at the forthcoming AGM to review and approve new levels of directors' fees:

	HK\$ per annum
<u>Board of Directors</u>	
Chairman	140,000
Deputy Chairman	120,000
Director	100,000
<u>Audit Committee</u>	
Chairman	60,000
Member	30,000
<u>Other Committees</u>	
Chairman	30,000
Member	20,000

Long-term incentives: Executive Share Options

Existing Scheme

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 10 years and will expire on 28 April 2005. 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 20 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 31 December 2004, an executive Director of the Company remained as the Scheme participant with shares issuable under options granted representing less than 0.2% of the issued share capital of the Company. Details of options outstanding and movements during the year are as follows:

Name	Balance	Date of grant	Changes during the year			Balance	Exercise price HK\$	Exercisable period
	as at 1.1.2004		Cancelled/ lapsed	Granted	Exercised	as at 31.12.2004		
Peter Ting Chang Lee	1,350,000	7.1.1999	Nil	Nil	Nil	1,350,000	9.22	7.1.2001 - 6.1.2009
Pauline Wah Ling Yu Wong	900,000	3.5.1995	Nil	Nil	900,000*	Nil	13.46	3.5.1997 - 2.5.2005

* Weighted average closing price per share immediately before the dates of exercise of the options for 900,000 shares : HK\$15.58.

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.

Directors' Remuneration and Interests Report *continued*

DIRECTOR COMPENSATION *continued*

Long-term incentives: Executive Share Options *continued*

Existing Scheme continued

In addition to the above, during the year, options to subscribe for 300,000 shares at an exercise price of HK\$7.54 per share were exercised (closing market price per share immediately before the date of exercise: HK\$15) by a grantee, whose remaining options for 900,000 shares of the Company lapsed upon his resignation.

The power of grant to executive Directors is vested in the Emoluments Review Committee and will be exercised in compliance with Listing Rules requirements. The Chairman and Managing Director have been delegated the authority to make grants to management staff below executive Director level.

Apart from the Scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangement 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.

New Scheme and Grant Structure

The Directors will recommend the adoption of a new share option scheme (the "New Scheme") at the forthcoming AGM. Terms of the New Scheme are substantially the same as these under the existing Scheme, save for incorporating current Listing Rules requirements. Major terms of the New Scheme are set out in the Circular accompanying this Report.

At a Board meeting held in March 2005, the Board has approved a new grant and vesting structure. Grants will be made on a periodic basis. Vesting period is three years in equal portions. Size of grant will be determined by reference to base salary multiple and job grades. A clear performance criterion will be a key driver. Grant and vesting structure will be reviewed by the Board from time to time.

SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2004, the interests of the Directors and Alternate Director in the shares and underlying shares 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

Aggregate long positions in shares and underlying 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	0.579
Michael Tze Hau Lee	1,023,233	—	—	—	1,023,233	0.097
Fa-kuang Hu	—	—	255,012 (Note 2)	—	255,012	0.024

DIRECTORS' INTERESTS IN SHARES *continued*

Aggregate long positions in shares and underlying shares of the Company *continued*

Name	Personal interests	No. of shares held			Total	% of the issued share capital*
		Family interests	Corporate interests	Other interests		
Hans Michael Jebsen	60,000	—	2,432,914 <i>(Note 1)</i>	—	2,492,914	0.237
Per Jorgensen	6,678	—	—	—	6,678	0.001
Chien Lee	970,000	—	4,083,823 <i>(Note 1)</i>	3,150,000 <i>(Note 3)</i>	8,203,823	0.781
Deanna Ruth Tak Yung Rudgard	1,871,600	—	—	—	1,871,600	0.178
Pauline Wah Ling Yu Wong	274,000	—	—	—	274,000	0.026
Geoffrey Meou-tsen Yeh	254,148	—	1,000 <i>(Note 1)</i>	—	255,148	0.024
V-nee Yeh (alternate to Geoffrey Meou-tsen Yeh)	43,259	—	84,575 <i>(Note 1)</i>	—	127,834	0.012

* This percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2004 (i.e. 1,049,963,659 ordinary shares)

Certain executive Directors of the Company have been granted share options under the Company's Executive Share Option Scheme (details are set out under "Long-term incentives: Executive Share Options" above). 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 one of the beneficiaries.

Aggregate long positions in shares of Associated Corporations

Listed below are certain Directors' interests in the shares of Barrowgate Limited ("Barrowgate"), a 65.36% subsidiary of the Company, and Parallel Asia Engineering Company Limited ("PAECL"), a 25% associate of the Company.

Name	No. of shares held	% of the issued share capital
Hans Michael Jebsen	1,000 <i>(Note 4)</i>	10 <i>(Note 4)</i>
Fa-kuang Hu	5,000 <i>(Note 5)</i>	50 <i>(Note 5)</i>
Raymond Liang-ming Hu (alternate to Fa-kuang Hu)	5,000 <i>(Note 5)</i>	50 <i>(Note 5)</i>

DIRECTORS' INTERESTS IN SHARES *continued*

Aggregate long positions in shares of Associated Corporations *continued*

Notes:

- (4) Jebsen and Company Limited ("Jebsen and Company") has a 10% interest in the issued share capital in Barrowgate through a wholly-owned subsidiary. Hans Michael Jebsen is deemed to be interested in Barrowgate by being the controlling shareholder and Chairman of Jebsen and Company.
- (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 2004 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.

DIRECTORS' INTERESTS IN CONTRACTS

During the review year, certain Directors are parties to contracts with the Group, which contracts constitute related party transactions, connected transactions or contracts of significance under applicable accounting or regulatory rules. (See Directors' Report)

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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 on an 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 Lee family whose range of general investment activities include property investments in Hong Kong and overseas. In 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 (and his alternate, Li Kam Wing) hold the offices of directors in each of Jebsen and Company Limited and Jebsen China Services Limited (the "Companies") and some of their subsidiaries, of which their business activities include, inter alia, investment holding and property investment in both the People's Republic of China and Hong Kong. Mr. Jebsen is also a substantial shareholder of the Companies.

Mr. 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.

By order of the Board

Wendy W.Y. Yung

Company Secretary

Hong Kong, 8 March 2005