

The Directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31st December 2004.

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 fitness centre 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 2004 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 2004, 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 from pages 32 to 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. 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, Madam LO TO Lee Kwan, Mr. LO Kai Shui, Mr. CHENG Hoi Chuen, Vincent and Mr. LO Hong Sui, Vincent 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 2004, 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	3,460,544	–	1,783,071 Note (9)	–	5,243,615	0.89	810,000
LO Ka Shui	6,342,642	–	25,798,758 Note (10)	231,803,746 Note (1)	263,945,146	44.75	810,000
LO Kai Shui	121,260	–	54,998,805 Note (11)	192,628,173 Note (1)	247,748,238	42.01	810,000
CHENG Hoi Chuen, Vincent	–	10,000	–	–	10,000	–	–
LO Hong Sui, Antony	2,871	–	–	–	2,871	–	–
LAW Wai Duen	238,402	–	–	192,628,173 Note (1)	192,866,575	32.70	–
LO Hong Sui, Vincent	288	–	–	–	288	–	–
LO Ying Sui, Archie	3,855,046	3,700	33,269,396 Note (6)	192,628,173 Note (1)	229,756,315	38.96	–
KAN Tak Kwong	343,068	–	–	–	343,068	0.06	490,000

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

During the year ended 31st December 2004, 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 "Listing Rules") were as follows:

Name of Director	*Year of grant of options	Number of shares			
		Outstanding at 1/1/2004	Options granted	Options exercised	Outstanding options 31/12/2004
LO Ying Shek	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
	2004	–	200,000	–	200,000
		730,000	200,000	(120,000)	810,000
LO Ka Shui	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
	2004	–	200,000	–	200,000
		730,000	200,000	(120,000)	810,000
LO Kai Shui	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
	2004	–	200,000	–	200,000
		730,000	200,000	(120,000)	810,000
KAN Tak Kwong	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
	2004	–	100,000	–	100,000
		415,000	100,000	(25,000)	490,000
Total:		2,605,000	700,000	(385,000)	2,920,000

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

Notes:

- (a) Options granted in the year of 1999 were granted under the previous Executive Share Option Scheme which expired on 16th March 1999. Options granted in the years of 2000 to 2004 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 15th March 2004, being the business date immediately before the date (16th March 2004) on which share options were granted, was HK\$13.50.
- (d) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$14.24.
- (e) The fair value of all the options granted under the relevant share option scheme in the current year, measured at the date of grant (16th March 2004), totalled approximately HK\$6,570,000. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Expected volatility	:	46.49% based on historical volatility
Expected dividend yield	:	0.96% based on historical dividends
Expected life	:	5 years from grant date
Risk free interest rate	:	2.52% 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 2004 was approximately HK\$5.43 per option share.

- (f) 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.

* 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.

Other than as disclosed above, none of the Directors or 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).

Substantial Shareholders' Interests in the Company

As at 31st December 2004, the following Shareholders, not being Directors of the Company, were recorded in the register of interests and short positions in the shares or 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
KSL Management Limited	39,175,573	6.64	(2)
Surewit Finance Limited	39,175,573	6.64	(2)
Hartwick Holdings Limited	54,779,666	9.29	(3)
Good Target Limited	54,779,666	9.29	(3)
Springtime Int'l Limited	39,838,006	6.75	(4)
Full Harvest Holdings Limited	39,838,006	6.75	(4)
Gainsland Investments Limited	37,782,810	6.41	(5)
Adscan Holdings Limited	33,269,396	5.64	(6)
HSBC International Trustee Limited	241,809,359	41.00	(7)
Powermax Agents Limited	141,625,164	24.01	(8)

Notes:

- (1) The 192,628,173 shares of Mr. LO Kai Shui, Madam LAW Wai Duen and Dr. LO Ying Sui, Archie and 192,628,173 shares of the 231,803,746 shares of Dr. LO Ka Shui were the same parcel of shares.
- (2) KSL Management Limited and its direct wholly-owned subsidiary, Surewit Finance Limited, were interested in 39,175,573 shares which were the same parcel of shares and were duplicated in the interests of Dr. LO Ka Shui. The said shares were held for a discretionary trust of which Dr. LO Ka Shui was the founder.
- (3) Hartwick Holdings Limited and its direct wholly-owned subsidiary, Good Target Limited, were interested in 54,779,666 shares which were the same parcel of shares and were duplicated in the interests of Mr. LO Kai Shui.
- (4) These 39,838,006 shares held by Springtime Int'l Limited and Full Harvest Holdings Limited were the same parcel of shares.
- (5) These 37,782,810 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) These 33,269,396 shares held by Adscan Holdings Limited were duplicated in the interests of Dr. LO Ying Sui who had entire interest in said company.

Substantial Shareholders' Interests in the Company (continued)

- (7) 192,628,173 shares of the 241,809,359 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 in said 192,628,173 shares. 39,175,573 shares of the 241,809,359 shares were the same parcel of shares as described in Note (2). The 2 companies mentioned in Note (2) were the wholly-owned subsidiaries of HKIT. The remaining shares were held by other trusts for which HKIT acted as the trustee.
- (8) These 141,625,164 shares held by Powermax Agents Limited were duplicated in the interests of HKIT. This company was a direct wholly-owned subsidiary of HKIT.
- (9) These 1,783,071 shares were held by a company in which Mr. LO Ying Shek had entire interest.
- (10) These 25,798,758 shares were held by a company in which Dr. LO Ka Shui had entire interest.
- (11) 15,160,799 shares of the 54,998,805 shares were held by companies in which Mr. LO Kai Shui had entire interests. The remaining 39,838,006 shares of the 54,998,805 shares were duplicated in the interests described in Note (4) and Mr. LO Kai Shui had indirect controlling interests in the two companies mentioned therein.

Other than as disclosed above, no notifications were received by the Company from any person (other than Directors of the Company) of having an interest or short position in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO).

Directors' Interest in Contracts

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.

Corporate Governance

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting year ended 31st December 2004 covered by this annual report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules before amendment.

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the year under review.

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

The financial statements for the year ended 31st December 2004 have been reviewed by the Audit Committee of the Company.

A Remuneration Committee was established by the Board of Directors on 8th March 2004. A Nomination Committee was established by the Board on 8th March 2005. Each of the Committees comprises all the three Independent Non-executive Directors with the terms of reference based on those set out in Appendix 14 to the amended 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.

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.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st December 2004.

Donations

Donations made by the Group for charitable and other purposes amounted to HK\$163,488.

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 2005