

Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31st December 2005.

Principal Activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are 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 14 to the financial statements.

Reserves

Movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity.

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 notes 16, 17 and 18 to the financial statements.

Details of the major properties of the Group at 31st December 2005 are set out in Appendix I.

Share Capital

The movements in share capital of the Company during the year are set out in note 31 to the financial statements.

Purchase, Sale or Redemption of Shares

During the year ended 31st December 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

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Share Option Scheme

Details of the Company's Share Option Scheme are set out in this Report from pages 40 to 42 and note 32 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, Professor WONG Yue Chim, Richard, Madam LAW Wai Duen, Dr. LO Ying Sui, Archie and Mr. KAN Tak Kwong 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 2005, 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)					Percentage of issued share capital	Outstanding share options
	Personal interests	Family interests	Corporate interests	Other interests	Total		
LO Ying Shek	4,101,343	–	1,796,563 Note (9)	–	5,897,906	0.99	250,000
LO Ka Shui	7,281,619	–	25,993,974 Note (10)	234,057,789 Note (1)	267,333,382	44.94	500,000
LO Kai Shui	253,161	–	55,413,317 Note (11)	194,085,777 Note (1)	249,752,255	41.99	880,000
CHENG Hoi Chuen, Vincent	–	10,000	–	–	10,000	–	–
LO Hong Sui, Antony	2,892	–	–	–	2,892	–	50,000
LAW Wai Duen	238,402	–	–	194,085,777 Note (1)	194,324,179	32.67	50,000
LO Hong Sui, Vincent	289	–	–	–	289	–	–
LO Ying Sui, Archie	3,855,046	3,700	33,269,396 Note (6)	194,085,777 Note (1)	231,213,919	38.87	–
KAN Tak Kwong	396,042	–	–	–	396,042	0.07	560,000

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

During the year ended 31st December 2005, movements of the share options granted to Directors (some are also substantial shareholders) under the Company's share option scheme 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 options at 31/12/2005
		Outstanding options at 01/01/2005	Options granted	Options exercised	Options cancelled	Options lapsed on 14/02/2005	
LO Ying Shek	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
	2005	–	50,000	–	–	–	50,000
		<u>810,000</u>	<u>50,000</u>	<u>(610,000)</u>	<u>–</u>	<u>–</u>	<u>250,000</u>
LO Ka Shui	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
	2005	–	300,000	–	–	–	300,000
		<u>810,000</u>	<u>300,000</u>	<u>(610,000)</u>	<u>–</u>	<u>–</u>	<u>500,000</u>
LO Kai Shui	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
	2005	–	200,000	–	–	–	200,000
		<u>810,000</u>	<u>200,000</u>	<u>(130,000)</u>	<u>–</u>	<u>–</u>	<u>880,000</u>

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

Name of Director	*Year of grant of options	Number of shares					Options lapsed on 14/02/2005	Outstanding options at 31/12/2005
		Outstanding options at 01/01/2005	Options granted	Options exercised	Options cancelled			
LO Hong Sui, Antony	2005	-	50,000	-	-	-	50,000	
LAW Wai Duen	2005	-	50,000	-	-	-	50,000	
KAN Tak Kwong	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	
	2005	-	120,000	-	-	-	120,000	
		490,000	120,000	(50,000)	-	-	560,000	
Total:		2,920,000	770,000	(1,400,000)	-	-	2,290,000	

Notes:

- Options were granted under the Great Eagle Holdings Limited Share Option Scheme adopted on 10th June 1999.
- Consideration paid for each grant of option was HK\$1.00.
- The closing price of the shares of HK\$0.50 each of the Company quoted on the Stock Exchange on 16th March 2005, being the business date immediately before the date (17th March 2005) on which share options were granted, was HK\$18.05.
- The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$17.63.

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

Notes: (continued)

- (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 (17th March 2005), totalled approximately HK\$10,647,780. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Expected volatility : 41.88% based on historical volatility

Expected dividend yield : 0.95% based on historical dividends

Expected life : 5 years from grant date

Risk free interest rate : 3.81% 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 2005 was approximately HK\$6.63 per option share.

- * Further required particulars of share options granted in each year are set out in note 32 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 2005, 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	39,472,012	6.64	(2)
Surewit Finance Limited	39,175,573	6.59	(2)
Hartwick Holdings Limited	55,194,178	9.28	(3)
Good Target Limited	55,194,178	9.28	(3)
Springtime Int'l Limited	40,139,456	6.75	(4)
Full Harvest Holdings Limited	40,139,456	6.75	(4)
Gainsland Investments Limited	38,068,710	6.40	(5)
Adscan Holdings Limited	33,269,396	5.59	(6)
HSBC International Trustee Limited	243,648,838	40.96	(7)
Powermax Agents Limited	143,082,768	24.06	(8)

Notes:

- (1) The 194,085,777 shares of Mr. LO Kai Shui, Madam LAW Wai Duen and Dr. LO Ying Sui, Archie and 194,085,777 shares of the 234,057,789 shares of Dr. LO Ka Shui were the same parcel of shares.
- (2) 39,175,573 shares of Surewit Finance Limited, a direct wholly-owned subsidiary of KSL Management Limited ("KSLM"), and 39,175,573 shares of 39,472,012 shares of KSLM were the same parcel of shares. 39,472,012 shares of KSLM 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 55,194,178 shares which were the same parcel of shares and were duplicated in the interests of Mr. LO Kai Shui.
- (4) These 40,139,456 shares held by Springtime Int'l Limited and Full Harvest Holdings Limited were the same parcel of shares.
- (5) These 38,068,710 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.

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Substantial Shareholders' Interests in the Company (continued)

Notes: (continued)

- (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.
- (7) 194,085,777 shares of the 243,648,838 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 194,085,777 shares. 39,472,012 shares of the 243,648,838 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 143,082,768 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 1,796,563 shares were held by a company in which Mr. LO Ying Shek had entire interest.
- (10) These 25,993,974 shares were held by a company in which Dr. LO Ka Shui had entire interest.
- (11) 15,273,861 shares of the 55,413,317 shares were held by companies in which Mr. LO Kai Shui had entire interests. The remaining 40,139,456 shares of the 55,413,317 shares were duplicated in the interests described in Note (4) and Mr. LO Kai Shui had indirect controlling interests in the 2 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

The Board and management of the Company are committed to maintain high standards of corporate governance. The Company had complied with the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year, with exception of a few deviations. Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in pages 28 to 36 of the Annual Report.

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 2005.

Danations

Donations made by the Group for charitable and other purposes amounted to HK\$227,580.

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, 20th April 2006