

# Directors' Report

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The directors present their annual report and the audited financial statements for the year ended 31st December, 2002.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 19 to the financial statements.

## RESULTS

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 22.

The directors do not recommend the payment of a dividend for the year.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 38 to the financial statements.

## SHARE CAPITAL AND WARRANTS

Details of the share capital and outstanding warrants of the Company are set out in notes 36 and 37 to the financial statements respectively.

## INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2002. The resulting net deficit arising on revaluation attributable to the Group has been debited directly to the investment property revaluation reserve amounting to HK\$279,865,000.

Details of this and other movements during the year in the investment properties of the Group are set out in note 15 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, properties under development with a total carrying value amounting to HK\$9,875,000 and HK\$51,692,000 were transferred from and to investment properties respectively.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

## MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2002 are set out in the Property Portfolio on pages 3 to 5.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### Executive directors

Mr. Lu Wing Chi (*Chairman and Managing Director*) (appointed Chairman on 21st March, 2003)  
Mr. Lu Wing Yuk, Andrew  
Mr. Lu Wing Lin

### Non-executive directors

Mr. Lu Ho (*Chairman*) (passed away on 21st February, 2003)  
Mr. Lu Yong Lee

### Independent non-executive directors

Mr. Walujo Santoso, Wally  
Mr. Leung Hok Lim

In accordance with Clause 88 of the Company's Bye-laws, Mr. Leung Hok Lim retires by rotation and, being eligible, offers himself for re-election.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

## DIRECTORS' SERVICE CONTRACTS

No director of the Company proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the share options as more fully described below, 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, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

## MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries was entered into or subsisted during the year.

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## DIRECTORS' INTERESTS IN SHARES AND WARRANTS

At 31st December, 2002, the interests of the directors and their associates in the shares and warrants of the Company, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of director	Number of ordinary shares held	Category of interest
Mr. Lu Wing Lin	94,000	Personal

Other than as disclosed above, none of the directors nor their associates had any interests in any securities of the Company or any of its associated corporations.

## SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 46 to the financial statements.

The following table discloses movements in the Company's share options during the year:

	Date of grant	Exercise price (HK\$)	Exercisable period	Number of share options		
				Outstanding at beginning of year	Expired during the year	Outstanding at end of year
Category 1						
Directors						
Mr. Lu Wing Chi	11.8.1992	1.85	11.8.1992 – 10.8.2002	10,000,000	(10,000,000)	–
	21.2.1994	4.40	21.2.1994 – 20.2.2004	2,200,000	–	2,200,000
	4.12.2000	1.44	4.12.2000 – 3.12.2010	12,500,000	–	12,500,000
Mr. Lu Wing Yuk, Andrew	11.8.1992	1.85	11.8.1992 – 10.8.2002	3,000,000	(3,000,000)	–
	4.12.2000	1.44	4.12.2000 – 3.12.2010	3,000,000	–	3,000,000
Mr. Lu Wing Lin	11.8.1992	1.85	11.8.1992 – 10.8.2002	8,000,000	(8,000,000)	–
	18.11.1993	2.78	18.11.1993 – 17.11.2003	3,500,000	–	3,500,000
	4.12.2000	1.44	4.12.2000 – 3.12.2010	12,500,000	–	12,500,000
				54,700,000	(21,000,000)	33,700,000
Category 2						
Employees	18.11.1993	2.78	18.11.1993 - 17.11.2003	10,000,000	–	10,000,000
Total				64,700,000	(21,000,000)	43,700,000

No options were granted to or exercised by the directors and the employees of the Company during the year.

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## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company:

Substantial shareholders	Number of ordinary shares held	
	Direct interest	Indirect interest
Nan Luen International Limited ("Nan Luen")	249,279,811	–
JCS Limited ("JCS") (Note)	–	249,279,811

Note: JCS is deemed to have an interest in 249,279,811 shares under Section 8 of the SDI Ordinance by virtue of its direct controlling interest in Nan Luen.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st December, 2002.

## DEALINGS IN THE COMPANY'S SHARES AND WARRANTS

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares or warrants.

## MAJOR SUPPLIERS AND MAJOR CUSTOMERS

The aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 30% in aggregate of the Group's total purchases and sales respectively.

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2002 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the non-executive directors are not appointed for a specific term.

## AUDIT COMMITTEE

The Audit Committee was established in 1999 and currently comprises Mr. Walujo Santoso, Wally and Mr. Leung Hok Lim, both of whom are independent non-executive directors. The Audit Committee met twice during the year. During these meetings, the committee members met with representatives from the management and/or external auditors of the Company to review the interim and annual reports of the Group as well as various auditing, financial reporting and internal control matters.

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five years is set out in Financial Highlights on page 1.

## AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Lu Wing Chi**

*Chairman and Managing Director*

Hong Kong, 21st March, 2003