

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December, 2003.

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 and Appropriations

The results of the Group for the year ended 31st December, 2003 are set out in the consolidated income statement on page 21.

An interim dividend of HK4 cents per share amounting to HK\$20,450,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK6 cents per share to the shareholders on the register of members on 12th May, 2004, amounting to HK\$30,675,000.

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, 2003. The net deficit arising on revaluation amounting to HK\$92,070,000 of which HK\$93,501,000 attributable to the Group has been debited directly to the investment property revaluation reserve.

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\$202,235,000 were transferred to investment properties and properties under development with a total carrying value amounting to HK\$106,015,000 were transferred from properties for sale. Additions for the year amounting to HK\$132,950,000.

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, 2003 are set out in the Property Portfolio on pages 4 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.

Directors' Report

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 as Chairman on 21st March, 2003)
Mr. Lu Wing Yuk, Andrew
Mr. Lu Wing Lin
Mr. Lincoln Lu (appointed on 1st December, 2003)
Mr. Lambert Lu (appointed on 1st December, 2003)

Non-executive directors

Mr. Lu Ho (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. Lu Wing Lin retires by rotation and, being eligible, offers himself for re-election.

In accordance with Clause 95 of the Company's Bye-Laws, Mr. Lincoln Lu and Mr. Lambert Lu retire and, being eligible, offer themselves 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.

Connected Transaction

On 30th October, 2003, SEA Holdings New Zealand Limited, an indirect wholly-owned subsidiary of the Company, advanced a loan of NZ\$812,000 to New Zealand Land Trust Limited, a company owned as to 50% by a company associated with Mr. John Darby. Mr. John Darby is a director and has a 25% interest in a non-wholly owned subsidiary of the Company.

Details of this transaction are set out in the announcement dated 14th January, 2004 issued to the shareholders of the Company.

The directors (including the independent non-executive director presented at the board meeting held on 19th December, 2003) believe that the advance is fair and reasonable insofar as the Company and the shareholders of the Company are concerned and are in the interests of the Company and the shareholders of the Company as a whole.

Directors' Report

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.

Directors' and Chief Executives' Interests

As at 31st December, 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of 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 of Hong Kong Limited ("Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

1. Long positions in shares and underlying shares of the Company

Name of director	No. of shares		Number of underlying shares (warrants)		Number of underlying shares (share option)	Total	% of shares in issue
	Personal interests	Corporate interests	Personal interests	Corporate interests			
Lu Wing Yuk, Andrew	—	—	—	—	3,000,000	3,000,000	0.59
Lu Wing Chi	—	—	—	—	14,700,000	14,700,000	2.88
Lu Wing Lin	94,000	—	—	—	12,500,000	12,594,000	2.46
Lincoln Lu	618,000	256,669,811	572,717	73,897,812	—	331,758,340 (Note)	64.89
Lambert Lu	610,000	256,669,811	572,717	73,897,812	—	331,750,340 (Note)	64.89

Note: Of these shares and warrants of the Company, 256,669,811 shares and warrants carrying 73,897,812 underlying shares deemed to be interested by Messrs. Lincoln Lu and Lambert Lu represented the same interests and were therefore duplicated amongst these two directors for the purpose of SFO. 256,669,811 shares and warrants carrying 71,786,743 underlying shares out of such shares were held by Nan Luen International Limited, which was 62.77% owned by JCS Limited ("JCS"), and warrants carrying 2,111,069 underlying shares were held directly by JCS. JCS was 26.09% owned by a discretionary trust, of which both directors are beneficiaries. In addition, Messrs. Lincoln Lu and Lambert Lu were each interested in 10.87% in JCS directly. JCS is deemed to be a controlled corporation of each of Messrs. Lincoln Lu and Lambert Lu by virtue of the SFO.

Directors' Report

Directors' and Chief Executives' Interests (continued)

2. Long positions in shares and underlying shares of associated corporations

(a) JCS Limited

Name of director	Personal interests	Interests as discretionary trust beneficiary	Total	% of shares in issue
Lu Wing Chi	2,000	12,000 (Note 1)	14,000	30.43
Lincoln Lu	5,000	12,000 (Note 1)	17,000	36.96
Lambert Lu	5,000	12,000 (Note 1)	17,000	36.96

(b) Nan Luen International Limited

Name of director	Interests held by controlled corporation	% of shares in issue
Lincoln Lu	98,210 (Note 2)	62.77
Lambert Lu	98,210 (Note 2)	62.77

Notes:

- 12,000 shares in JCS Limited deemed to be interested by Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu represented the same interests and were therefore duplicated amongst these three directors for the purpose of the SFO. Such shares were held by a discretionary trust, of which all three directors are beneficiaries.
- 98,210 shares in Nan Luen International Limited deemed to be interested by Messrs. Lincoln Lu and Lambert Lu represented the same interests and were therefore duplicated amongst these two directors for the purpose of the SFO. Those shares were held by JCS Limited, which is deemed to be a controlled corporation of each of Messrs. Lincoln Lu and Lambert Lu by virtue of the SFO.

Further details of the interests of the directors and chief executives in the share options are stated in the section headed Share Options below.

Saved as disclosed herein, as at 31st December, 2003, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register 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.

Directors' Report

Share Options

Particulars of the Company's share option schemes are set out in note 48 to the financial statements.

A summary of the Company's share options are disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as follows:

Name of Participants	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options		
				Balance as at 1.1.2003	Cancelled/ lapsed/ during the year	Balance as at 31.12.2003
Directors						
Lu Wing Chi	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
Lu Wing Yuk, Andrew	4.12.2000	1.44	4.12.2000 — 3.12.2010	3,000,000	—	3,000,000
Lu Wing Lin	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
				33,700,000	(3,500,000)	30,200,000
Employees	18.11.1993	2.78	18.11.1993 — 17.11.2003	10,000,000	(10,000,000)	—
Total				43,700,000	(13,500,000)	30,200,000

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

Directors' Report

Interests of Substantial Shareholders

So far as is known to any director or chief executive of the Company, as at 31st December, 2003, persons other than a director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Long positions in shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares	Number of underlying shares (warrants)	Total	% of shares in issue
JCS Limited	Direct interest	—	2,111,069	2,111,069	
	Held by controlled corporation	255,669,811	71,786,743	327,456,554 (Note)	
		255,669,811	73,897,812	329,567,623	64.46
Eaver Company Limited	Direct interest	608,000	—	608,000	
	Held by controlled corporation	255,669,811	71,786,743	327,456,554 (Note)	
		256,277,811	71,786,743	328,064,554	64.17
Nan Luen International Limited	Direct interest	255,669,811	71,786,743	327,456,554 (Note)	64.05
Pacific Rose Enterprises Limited	Direct interest	31,955,873	3,581,257	35,537,130	6.95
Cyress Gold Limited	Direct interest	20,013,043	7,711,957	27,725,000	5.42

Note: 255,669,811 shares and warrants carrying 71,786,743 underlying shares deemed to be interested by JCS Limited, Eaver Company Limited and Nan Luen International Limited represented the same interests and were therefore duplicated amongst these three shareholders for the purpose of the SFO. JCS Limited and Eaver Company Limited were respectively interested in 62.77% and 37.23% in Nan Luen International Limited, which in turn was interested in these shares and warrants.

Save as disclosed above, directors are not aware of any other person who, as at 31st December, 2003, had an interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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, 2003 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.

Directors' Report

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 representative 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.

Charitable Donations

During the year, the Group made charitable donations amounting to HK\$515,000.

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 2.

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, 25th March, 2004