

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are investment holding, property and asset management, garment manufacturing and trading and property investment and development.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 25.

An interim dividend of HK4 cents per share amounting to HK\$20,466,000 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, 2005, amounting to HK\$30,692,000, and the retention of the remaining profit for the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 28 and note 37, to the financial statements respectively.

SHARE CAPITAL AND WARRANTS

Details of the share capital and outstanding warrants of the Company are set out in notes 35 and 36 to the financial statements respectively.

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2004. The net surplus arising on revaluation amounting to HK\$345,289,000 of which HK\$351,588,000 attributable to the Group has been credited 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\$145,788,000 were transferred from investment properties and properties under development with a total carrying value amounting to HK\$222,006,000 were transferred to properties for sale. Additions for the year amounted to HK\$469,536,000 of which HK\$97,697,000 was made through the acquisition of subsidiaries.

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, 2004 are set out in the Property Portfolio on pages 4 to 5.

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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

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*)

Mr. Tse Man Bun

(*appointed on 1st December, 2004*)

Mr. Lu Wing Yuk, Andrew

Mr. Lu Wing Lin

Mr. Lincoln Lu

Mr. Lambert Lu

Non-executive director

Mr. Lu Yong Lee

Independent non-executive directors

Mr. Walujo Santoso, Wally

Mr. Leung Hok Lim

Mr. Chung Pui Lam

(*appointed on 27th September, 2004*)

In accordance with Clause 88 of the Company's Bye-laws, Messrs. Lu Yong Lee and Walujo Santoso, Wally, retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Clause 95 of the Company's Bye-Laws, Messrs. Chung Pui Lam and Tse Man Bun, retire and, being eligible, offer themselves for re-election.

In accordance with Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Messrs. Lu Wing Chi and Lu Wing Yuk, Andrew, 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, any of its holding companies or 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.

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CONNECTED TRANSACTIONS

On 30th October, 2003, SEA Holdings New Zealand Limited ("SHNZ"), 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 of and has a 25% interest in Jacks Point Limited ("JPL"). As at the balance sheet date, the amount was fully repaid.

JPL was a non-wholly owned subsidiary of the Company previously. On 6th May, 2004, SHNZ entered into an agreement with the other shareholders of JPL to restructure its direct interest in JPL. After the restructuring, SHNZ and Mr. John Darby holds effectively 26.1% and 30% interest in JPL respectively.

On 2nd November, 2004, an indirect wholly-owned subsidiary of the Company, Mr. Mike Coburn, Mr. John Darby and Mr. Don Fletcher established a joint venture in the proportion of 24.0%, 15.0%, 31.1% and 29.9% respectively. Under an arrangement between the Group and Mr. Don Fletcher, the Group holds another 1% interest in the said joint venture through the company controlled by Don Fletcher. The new joint venture will engage in the investment of unconverted land in New Zealand for the purposes of re-zoning and development. The maximum commitment of the Group to the joint venture is NZ\$4,492,000 (approximately HK\$25,110,000). Mr. Mike Coburn and Mr. John Darby are associates with the Company's subsidiary and Mr. Don Fletcher is the Executive Chairman and Managing Director of the Group's property investment companies in New Zealand and Australia. As at balance sheet date, NZ\$373,000 (approximately HK\$2,085,000) had been funded by the Group to the said joint venture.

Details of these transactions are set out in the announcements dated 14th January, 2004, 6th May, 2004 and 2nd November, 2004 respectively issued to the shareholders of the Company.

The directors believe that the transactions are 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' 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, any of its holding companies or 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 securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the following Directors are considered to have interests in business which compete with, or might compete with, either directly or indirectly, the business of the Group:

- (i) Messrs. Lu Wing Chi and Lu Wing Lin also hold shareholdings (on behalf of themselves and their associates) and directorships in a number of private companies controlled by, or owned in conjunction with, their close relatives and associates. From time to time, such companies are involved in real estate development and investment, textile manufacturing and trading. In this regard, Messrs. Lu Wing Chi and Lu Wing Lin are considered to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group.

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DIRECTORS' INTERESTS IN COMPETING BUSINESS *(Continued)*

- (ii) Mr. Tse Man Bun is also an independent non-executive director of HSBC Insurance (Asia) Limited, HSBC Medical Insurance (Asia) Limited and Tysan Holdings Limited and Crystal International Limited. The principal business of Tysan Holdings Limited includes building construction, property development, investment and management. In this regard, he is considered to have interests in businesses which compete with or might compete with, either directly or indirectly, the businesses of the Group. The principal business of Crystal International Limited includes garment trading and manufacturing. However, in view of the scale of the Group's garment business in comparison with its other businesses and Mr. Tse's non-executive directorship in Crystal International Limited, Mr. Tse is not considered by the Group to have interests in businesses which compete with or might compete with, either directly or indirectly, the businesses of the Group. In addition, Mr. Tse and his associates also invest from time to time in real estate investments. However, the scale and nature of such investments do not fit the investment profile of the Group. Hence, Mr. Tse is not considered by the Group to have interests which compete with, or might compete with, the businesses of the Group as a result of such investments.
- (iii) Mr. Lu Wing Yuk, Andrew is also the managing director of Kian Nan Trading Company Limited whose businesses includes textile manufacturing and trading and holds shareholdings (on behalf of himself and his associates) and directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Mr. Lu is considered to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group.
- (iv) Messrs. Lincoln Lu and Lambert Lu are sons of Mr. Lu Wing Chi. In this regard, Messrs. Lincoln Lu and Lambert Lu are considered to have interests in the competing businesses which Mr. Lu Wing Chi is deemed interested. Messrs. Lincoln Lu and Lambert Lu also hold shareholdings (on behalf of themselves and their associates) and directorships in a number of private companies controlled by, or owned in conjunction with, their close relatives and associates. From time to time, such companies are involved in real estate development and investment, textile manufacturing and trading. In this regard, Messrs. Lincoln Lu and Lambert Lu are considered to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group.
- (v) Mr. Lu Yong Lee holds shareholdings (on behalf of himself and his associates) and directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Mr. Lu is considered to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group.
- (vi) Mr. Walujo Santoso, Wally and his associates invest from time to time in real estate investments and real estate developments. In this regard, Mr. Santoso is considered to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group.
- (vii) Mr. Leung Hok Lim is also director of a number of private and listed companies. Some of these companies and their associates are involved in property development and investment. In addition, Mr. Leung and his associates invest from time to time in real estate investments and real estate developments. In this regard, Mr. Leung is considered to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group.

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DIRECTORS' INTERESTS IN COMPETING BUSINESS (Continued)

(viii) Mr. Chung Pui Lam is also director of the listed Chow Sang Sang Holdings International Limited and Datronix Holdings Limited. Mr. Chung and his associates invest from time to time in real estate investments and real estate developments. In this regard, Mr. Chung is considered to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

At 31st December, 2004, 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 ("Model Code"), 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			
Tse Man Bun	100,000	-	-	-	-	100,000	0.02
Lu Wing Yuk, Andrew	-	-	-	-	3,000,000	3,000,000	0.59
Lu Wing Chi	-	-	-	-	12,500,000	12,500,000	2.44
Lu Wing Lin	94,000	-	-	-	12,500,000	12,594,000	2.46
Lincoln Lu	618,000	261,737,811	572,717	73,897,812	-	336,826,340 ^(Note)	65.85
Lambert Lu	610,000	261,737,811	572,717	73,897,812	-	336,818,340 ^(Note)	65.84

Note: Of these shares and warrants of the Company, 261,737,811 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. 261,737,811 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.

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS (Continued)

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

(a) JCS

Name of director	Personal interests	Interests as discretionary trust beneficiary	Total	% of shares in issue
Lu Wing Chi	2,000	12,000 ¹	14,000	30.43
Lincoln Lu	5,000	12,000 ¹	17,000	36.96
Lambert Lu	5,000	12,000 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 ²	62.77
Lambert Lu	98,210 ²	62.77

Notes:

- 12,000 shares in JCS 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 these 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, 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 above, as at 31st December, 2004, none of the directors and chief executives nor their respective associates had any interests or short positions in any 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 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.

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SHARE OPTIONS

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

A summary of the Company's share options are disclosed in accordance with the Listing Rules as follows:

Name of directors	Date of grant	Exercise price HK\$	Exercisable period	Number of share options		
				Balance as at 1.1.2004	Lapsed during the year	Balance as at 31.12.2004
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	4.12.2000	1.44	4.12.2000 – 3.12.2010	12,500,000	–	12,500,000
Total				30,200,000	(2,200,000)	28,000,000

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

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INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31st December, 2004, person 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 follow:

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	Direct interest	–	2,111,069	2,111,069	
	Held by controlled corporation	261,737,811	71,786,743	333,524,554 ^(Note)	
		261,737,811	73,897,812	335,635,623	65.61
Eaver Company Limited	Direct interest	608,000	–	608,000	
	Held by controlled corporation	261,737,811	71,786,743	333,524,554 ^(Note)	
		262,345,811	71,786,743	334,132,554	65.32
Nan Luen International Limited	Direct interest	261,737,811	71,786,743	333,524,554 ^(Note)	65.20
Pacific Rose Enterprises Limited	Direct interest	31,955,873	3,581,257	35,537,130	6.95
Cypress Gold Limited	Direct interest	20,013,043	7,711,957	27,725,000	5.42

Note: 261,737,811 shares and warrants carrying 71,786,743 underlying shares deemed to be interested by JCS, 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 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.

Saved as disclosed above, directors are not aware of any other person who, as at 31st December, 2004, had an interests or short positions in the share or underlying shares of the Company 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, any of its holding companies or subsidiaries of the Company's listed shares or warrants.

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

For the year ended 31st December, 2004, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 47% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 33% of the Group's total turnover.

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MAJOR SUPPLIERS AND MAJOR CUSTOMERS *(Continued)*

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 67% of the Group's total purchasers and the purchases attributable to the Group's largest supplier accounted for approximately 29% of the Group's total purchases.

At no time during the year did a directors, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules 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, Mr. Leung Hok Lim and Mr. Chung Pui Lam, all 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\$122,000.

POST BALANCE SHEET EVENT

Details of a post balance sheet event are set out in note 48 to the financial statements.

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, 1st April, 2005