



SEA HOLDINGS LIMITED
爪哇控股有限公司



A N N U A L R E P O R T 2 0 0 3 年 報

Directory

Directors

Lu Wing Chi, *Chairman and Managing Director*

Lu Yong Lee *

Lu Wing Yuk, Andrew

Lu Wing Lin

Lincoln Lu

Lambert Lu

Walujo Santoso, Wally #

Leung Hok Lim #

* *Non-executive director*

Independent non-executive director

Secretary

Sin Li Mei Wah, Jenifer

Solicitors

Stephenson Harwood & Lo

Auditors

Deloitte Touche Tohmatsu

Bankers

The Hongkong and Shanghai Banking
Corporation Limited

Bank of China (Hong Kong) Limited

Dah Sing Bank

Standard Chartered Bank

Registered Office

Clarendon House

Church Street

Hamilton HM11

Bermuda

Principal Office

26th Floor

Dah Sing Financial Centre

108 Gloucester Road

Wanchai, Hong Kong

Branch Registrars in Hong Kong

Standard Registrars Limited

28/F., BEA Harbour View Centre

56 Gloucester Road

Wanchai, Hong Kong

Stockcode

251

Website

www.seaholdings.com.hk



C o n t e n t s

2	F inancial Highlights
4	P roperty Portfolio
6	C hairman's Statement
11	D irectors and Senior Management
13	D irectors' Report
20	A uditors' Report
21	C onsolidated Income Statement
22	B alance Sheets
24	C onsolidated Statement of Changes in Equity
25	C onsolidated Cash Flow Statement
27	N otes to the Financial Statements

Financial Highlights

FIVE YEAR FINANCIAL SUMMARY

Results

	For the year ended 31st December,				2003 HK\$'m
	1999 HK\$'m (restated)	2000 HK\$'m (restated)	2001 HK\$'m (restated)	2002 HK\$'m (restated)	
Turnover	833.1	775.7	602.4	741.5	592.9
Profit (loss) before minority interests	208.0	98.0	68.2	(327.2)	297.8
Minority interests	(47.0)	(48.6)	(34.1)	124.6	(110.6)
Net profit (loss) for the year	161.0	49.4	34.1	(202.6)	187.2

Assets and Liabilities

	At 31st December,				2003 HK\$'m
	1999 HK\$'m (restated)	2000 HK\$'m (restated)	2001 HK\$'m (restated)	2002 HK\$'m (restated)	
Total assets	10,551.2	9,048.9	8,096.3	7,250.0	6,881.5
Total liabilities	(5,680.0)	(4,618.6)	(4,254.5)	(3,363.1)	(3,329.8)
Minority interests	(1,721.7)	(1,415.1)	(1,235.9)	(1,446.7)	(875.0)
Shareholders' funds	3,149.5	3,015.2	2,605.9	2,440.2	2,676.7

Performance Data

Earnings (Loss) (HK\$'m)	161.0	49.4	34.1	(202.6)	187.2
Dividends declared per share (HK\$)	0.16	0.16	0.16	0.00	0.10

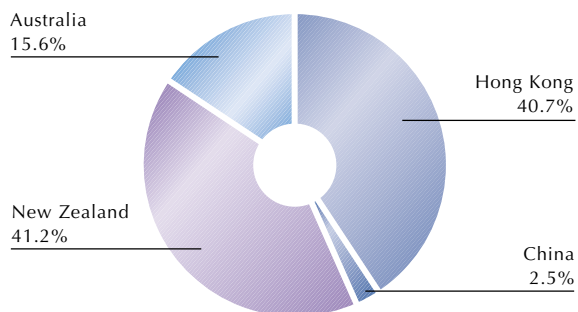
The results for the four years ended 31st December, 2002 and the summary of assets and liabilities as at 31st December, 1999, 2000, 2001 and 2002 have been extracted from the Company's annual report after restatement to reflect the effect of the prior period adjustments on adoption of SSAP 12 (Revised).

Financial Highlights

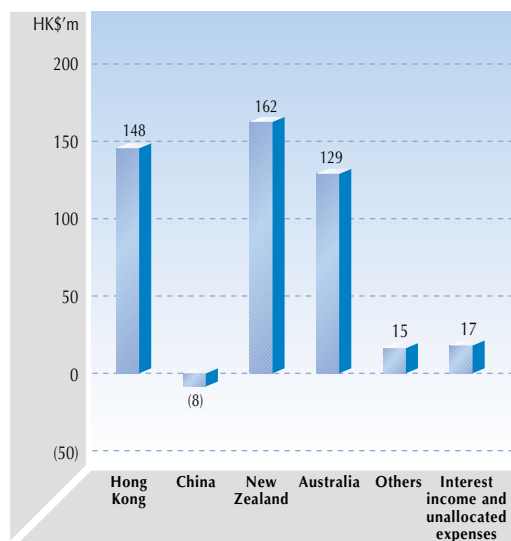
2003 RESULTS BY SEGMENT

GEOGRAPHICAL SEGMENTS

Turnover

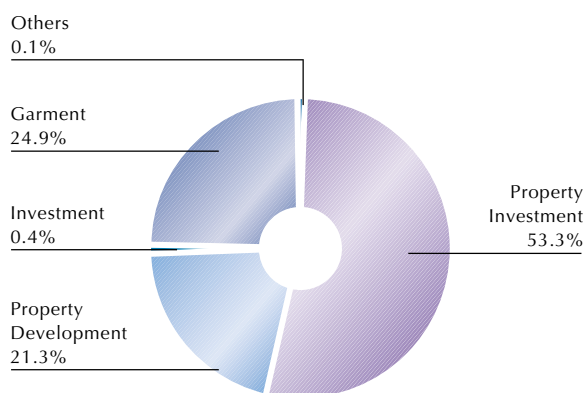


Profit/Loss from Operations*

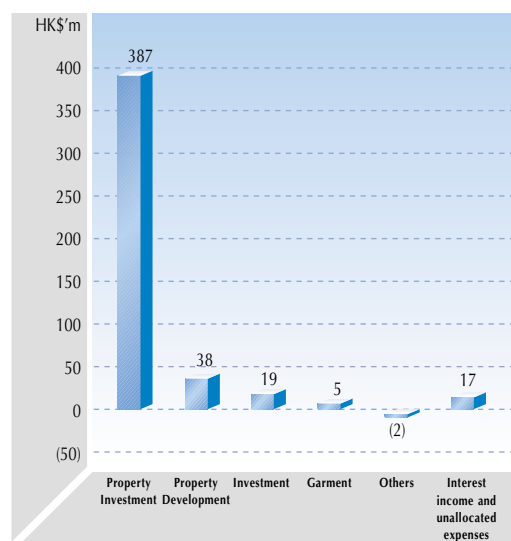


BUSINESS SEGMENTS

Turnover



Profit/Loss from Operations*



* Before finance cost, share of results of associates and joint ventures, taxation and minority interests.

Property Portfolio

as at 31st December, 2003

SUMMARY

	New Zealand	Australia	Hong Kong	China
Total rental properties owned (number)	13	1	2	1
Office properties (number)	9	1	2	0
Average lease life (years)	4.1	N/A	3.0	1.0
Occupancy rate (%)	92	85	91	100
Net lettable area (sq.m.)	141,392	8,344	33,945	17,474
Development sites owned (number)	6	0	2	2
Gross building area when completed (sq.m.)	556,716	0	33,281	248,000

MAJOR INVESTMENT PROPERTIES

HONG KONG

Medium and long term leases

Name and location	Lease expiry	Use	Approximate floor area (sq.m.)	Group's interest
Dah Sing Financial Centre, 108 Gloucester Road, Wanchai	30th June, 2047	Commercial	37,171 and 154 carparks	100%
28/F, 9 Queen's Road, Central	16th November, 2854	Commercial	1,279	100%

NEW ZEALAND

Freehold

Name and location	Use	Approximate lettable floor area (sq.m.)	Group's interest
Fletcher Challenge Complex 810 Great South Road, Penrose, Auckland	Industrial/ Office	48,527	59.97%
Finance Centre Qantas House 191 Queen Street, Auckland	Office	17,528	59.97%
Simpson Grierson Building 96-98 Albert Street, Auckland	Office	11,044	59.97%
Brookfields House 19 Victoria Street West, Auckland	Office	10,592	59.97%
Durham House 22 Durham Street West, Auckland	Office	1,683	59.97%
Finance Centre Carpark Durham Lane, Auckland	Carpark	—	59.97%
EDS House 12-14 Gilmer Terrace, Wellington	Office	10,088	59.97%
Colmar Brunton House 1-7 The Strand, Takapuna, Auckland	Office/Retail	10,059	59.97%
Citibank Centre 23-27 Customs Street East, Auckland	Office	9,794	59.97%
Auckland Club Tower 34 Shortland Street, Auckland	Office	8,283	59.97%

Property Portfolio

as at 31st December, 2003

MAJOR INVESTMENT PROPERTIES (continued)

AUSTRALIA

Freehold

Name and location	Use	Approximate lettable floor area (sq.m.)	Group's interest
65 York Street, Sydney	Office	8,344	59.97%

OTHER REGIONS OF THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Medium-term leases

Name and location	Use	Approximate lettable floor area (sq.m.)	Group's interest
18 Ban Ting Road Song Jiang District, Shanghai	Warehouse	17,474	100%

MAJOR PROPERTIES UNDER DEVELOPMENT

HONG KONG

Name and location	Approximate floor area (sq.m.)	Use	Stage of completion	Estimated completion date	Group's interest
14-20 Leighton Road Causeway Bay, Hong Kong	3,502	Hotel	In the process of project design	End 2006	100%
Fanling Sheung Shui Town Lot No. 189, New Territories	45,120	Residential	Superstructure work in progress	End 2004	55%

OTHER REGIONS OF THE PRC

Name and location	Approximate lettable floor area (sq.m.)	Use	Stage of completion	Estimated completion date	Group's interest
Overseas Exchange Square Yan Shi Kou, Chengdu City, Sichuan	90,000	Commercial/ Office	Building services and finishing work in progress	3rd quarter 2005	97%

MAJOR PROPERTIES UNDER DEVELOPMENT FOR SALE

NEW ZEALAND

Name and location	Approximate land area available for sale (sq.m.)	Use	Stage of completion	Estimated completion date	Group's interest
Airpark II, Motgomerie Road, Auckland	377,580	Commercial	Earthworks in progress — stage 1 — stage 2	4th quarter 2004 4th quarter 2005	59.97%

OTHER REGIONS OF THE PRC

Name and location	Approximate floor area (sq.m.)	Use	Stage of completion	Estimated completion date	Group's interest
Westmin Plaza Zhongshan Road 7, Guangzhou, Guangdong	158,000	Residential/ Commercial/ Office	First Phase completed in Aug 2002. Second Phase design work in progress	First phase completed in Aug 2002. Second Phase to be completed in 3rd quarter 2005	100%

Chairman's Statement

Overview

In 2003, the Group continued to take strategic moves in rationalizing its investment property portfolio mainly in Australia and New Zealand, streamlining corporate structure and seeking new investments; in order to position the Group to stay competitive to new challenges and to take advantage of opportunities in varying market conditions in different locations where the Group has expertise.

Non core properties or properties with not much growth potential were disposed in the year, resulting in the Group retaining cash and bank deposits amounting to HK\$1.81 billion at year end date available for future investment.

Results

The Group's audited consolidated profits attributed to the shareholders for the financial year ended 31st December, 2003 was HK\$187.3 million compared to a loss of HK\$202.6 million for the previous year. As properties were disposed at or above book cost, and no provision for impairment on securities was made, the Group therefore reported a net profit on investments and properties for HK\$98.8 million in 2003 against a loss of HK\$438.3 million in the previous year. Following the sale of non core properties and 345/363 St. George Street, Sydney, coupled with a decrease in rental income per square feet for Hong Kong properties, a drop of 28.1% in gross rental income was recorded, but a corresponding increase in interest income from HK\$23.4 million in year 2002 to HK\$54.4 million in year 2003 due to an increase in cash reserves was also reported.

Dividend

The board of directors recommends a final dividend of HK6 cents per share for the year 2003 payable on 18th May, 2004 to shareholders whose names appear on the Register of Members on 12th May, 2004. Together with the interim dividend of HK4 cents per share paid on 6th October, 2003, the total dividend for the year is HK10 cents per share. No dividend was paid for the preceding year.

Business Review

Property Investments and Developments

Hong Kong

The SARS incidence had greatly impacted the property market in the 1st half of 2003, followed by a gradual and speedy recovery towards the end of the year due to the introduction of CEPA and Individual Visits Scheme to Hong Kong. Rental income for the financial year decreased by 11.5% as a result of reduced average rent for new and renewal leases. This reduction in rent will be fully reflected in the year 2004 where over 70% of its tenancy expired towards the end of 2003. Average occupancy rate was maintained at over 90% level throughout the year. As market sentiment began to improve by year-end, we expect the rental level will stabilize. This should in turn benefit our rental return.

In view of the recent rebound in property market, the Group is actively considering and evaluating development potentials including hotels development for the site at Leighton Road.

Construction of the Group's 55% owned Sheung Shui site is progressing on schedule. Completion of the first phase development is expected to complete by end of 2004. Negotiation with the Government on further modification of lease including amongst others, from a plot ratio of 3.3 times to 5.0 times was finalized. Premium will be paid shortly. Subsequent to this modification, it is planned to construct one more residential tower.



Fanling Sheung Shui Town Lot No. 189
55% owned by the Group, the construction work of this site is underway for three 40-storey residential towers. Total gross floor area of the development will achieve approximately 45,120 sq.m. with 139 carparking spaces.

Chairman's Statement

China

The Shanghai warehouse contributed a steady rental income to the Group. The lease is due to expire in mid-2004 and the Group is in active discussion with various interested parties for new tenancy.

Westmin Plaza Phase I in Guangzhou was completed and sold with success. Majority of the sales proceeds were booked in year 2002 with the remaining proceeds booked in year 2003. Phase II development comprises of 4 towers of residential blocks and 1 office block on top of the commercial podium. Foundation work was recently completed and construction of the superstructure will commence soon. Completion of the whole development is expected to be in late 2005.

The Group has reactivated the development of Overseas Exchange Square in Chengdu in December 2003. The project is about 90,000 sq.m., comprising of 2 office towers on top of the commercial podium. It is planned that the whole development will be completed by late 2005.

The construction work of New Century Plaza was completed in December 2003. Certain floors were sold recording a profit of HK\$4 million for the financial year under review.

New Zealand

Trans Tasman Properties Limited ("TTP"), in which the Group owns 59.97% at balance sheet date, announced its combined results attributable to its shareholders for the financial year under review, after taking into account its share in Australian Growth Properties Limited ("AGP"), a surplus of NZ\$40.6 million (HK\$185.5 million), compared to NZ\$0.16 million (HK\$0.6 million) for the previous corresponding year. Net asset value per share as at 31st December, 2003 was NZ\$0.63 (HK\$3.2) compared to NZ\$0.55 (HK\$2.3) for previous year.

After restructuring the property portfolio, TTP has adopted following business strategies:

- To sell investment properties where it believes added value cannot be achieved;
- To re-invest in the Australasian property investment and development markets as counter-cyclical and opportunistic investments arise;
- To invest further in what is broadly defined as real estate capital market opportunities including property mortgage financing; and
- To invest in Asian/Pacific property markets where counter-cyclical property investment or development opportunities exist.



Airpark Business Centre, Auckland

Following the success of the Airpark development, the Group contracted to purchase the adjoining 52-hectare site. Sales campaign for first stage commenced in mid December 2003 with strong buyer interest.



Phase II, Westmin Plaza, Guangzhou

Adjoining to phase I, phase II Westmin Plaza will comprise of four towers of residential blocks and one office block. Foundation work was completed and construction of superstructure will commence soon.

During the period, New Zealand had disposed one rental property and carpark complex. New Zealand investment portfolio now comprises of 13 commercial properties in Auckland and 1 in Wellington. Leasing activity in New Zealand is stable. Overall vacancy rate run at comparable levels to last year at 5.7%.

TTP completed the development of the Airpark Business Centre and successfully sold all sites apart from two that it has retained. As at balance sheet date, 22 of the 27 sites sold had settled and have contributed earnings of NZ\$6.1 million (HK\$27.8 million). The other 5 sites will settle in the first few months of 2004. TTP further contracted to purchase the adjoining 52 hectare-site to complement the Airpark Business Centre. The first stage of the development was released to the market in mid-December with strong buyer interest for the sites.

Chairman's Statement

With improving cash reserves, TTP has on 29th December, 2003 repaid 66% of its Secured Bonds, thus further reducing its interest cost on these Bonds.

As announced in January 2004, the Group entered into a joint venture for the development of a resort area known as Jacks Point in Queenstown in which the Group owns 60%. Jacks Point was originally a rural land of 409 hectares. After two years of hard work, it was successfully rezoned as resort area. No premium is required for rezoning. The acquisition cost amounted to NZ\$9.0 million (HK\$45.1 million). The area will be developed into a resort with a golf course, hotel and residential properties.

Australia

The CBD office sector has seen increased levels of incentives and softening rental levels, which impact on the capital value of the investment properties. Following the sale of 363 George Street and 345 George Street Sydney in July 2003, an unconditional contract was entered in December 2003 for the sale of a property in Melbourne, leaving only one property in Sydney, which was being refurbished and is now being marketed for lease.

Garment Trading

The garment business continued to generate similar return to the Group's net profit. However, with the facing out of quota system in 2005, and the tough market environment, a substantial drop of HK\$23 million from contribution from garment business will occur in 2005.

Supply Chain Management

E-commerce Logistics Limited ("eCL"), an associate of the Group has established gradual growth through expansion in Taiwan and China. The eCL Warehouse Management System was awarded at "Asia Pacific ICT Awards 2003" in the category "Best Industrial Applications". Through its technology-driven and customer-centric approach, eCL provides the highest value proposition to clients through better managing the inventory, reducing logistics costs, and improving operation efficiencies together with highly transparent information flow.

Performance of Professional Services Brokers Limited has exceeded its budget. A positive contribution was made to the Group.

Material Acquisition and disposal of subsidiaries

General offer by TTP for the shares in AGP not owned by TTP

An offer by TTP for the 49.46% shares not owned by it in AGP was made. The offer price was A\$0.85 (HK\$4.36) as compared to net asset value per share of A\$1.02 (HK\$5.23). The offer was concluded in January 2004, resulting in a net gain of HK\$44.3 million realized in the current year and HK\$79.7 million to be realized in the future years.

Increase in shareholdings in TTP by the Group

The Group has increased its interest in TTP from 55.16% to 59.97% during the year. The average purchase price was NZ\$0.35 (HK\$1.60) and when compared to the then net asset value per share, resulted in a negative goodwill of HK\$32.6 million to be amortized in the future years.

There were no other material acquisitions or disposals of subsidiaries during the year.

Financial Review

Key 2003 financial data, policies and capital events relating to the Group and its major subsidiaries were as follows:

Financial Resources and Liquidity

As 31st December, 2003, the Group had HK\$1,881 million cash and unutilized facilities of HK\$963.7 million to meet its commitments and to provide working capital. The current (working capital) ratio improved from 2.20 at 31st December, 2002 to 4.46 at 31st December, 2003 due mainly to repayment of loans and additional cash derived from disposition of properties in New Zealand and Australia.

Bank borrowings and bonds of TTP and its Australia subsidiary AGP are denominated in NZ\$ and A\$ respectively. At 31st December, 2003, the TTP group had drawn down bank loans and outstanding bonds equivalent to NZ\$317.2 million (HK\$1,608.3 million) secured mainly by properties valued at an equivalent of NZ\$318.8 million (HK\$1,616.3 million).

Chairman's Statement

For the Group companies operating in Hong Kong and China, borrowings amounting to HK\$1,149.0 million had been drawn down at 31st December, 2003, secured by properties valued at HK\$2,462.7 million and pledged fixed deposits of HK\$27.4 million.

Refinancing and Gearing

Major credit facilities have been renewed on a medium and long term basis that provided the Group with capacity and flexibility to undertake development and investment opportunities consistent with its strategy to remain a long-term investor in property.

The Group's overall gearing, or net interest bearing debt minus cash, as a percentage of total property assets improved to 21% at the end of 2003 from 34% at the end of 2002.

Treasury policies

The Group adheres to prudent treasury policies. Its borrowings are principally on a floating rate basis but in certain circumstances, either pursuant to banking covenants or at time when interest rates are volatile, hedging instruments including swaps and forwards are used to manage floating rate risk.

Capital movements

During the year, the Company did not issue any additional shares or any type of capital instruments.

Loan maturity profile

As at 31st December, 2003, maturities of the Group's outstanding borrowings were as follows:

	<i>HK\$ m</i>
Due within 1 year	205.5
1-2 years	1,512.3
3-5 years	1,020.8
Over 5 years	139.4
	<hr/> 2,878.0

At the end of 2003, the Group's long-term borrowings due after one year amounted to 80% (2002: 80%) of total liabilities.

Outlook

There is recent indication that the economy in Hong Kong is in recovery, at a faster pace than expected. Accompanied by a reduced deflation and with positive market sentiment, the property market in particular the luxury residential properties have shown substantial improvement in the past few months. With a strong financial background, the Group is well positioned itself for new investment.

The Group has seen growth in China property market. The Group will take the opportunity to develop the properties for sale. At the same time, it will seek new opportunities for investment.

The Australian and New Zealand property markets are approaching peaks in their property cycles. As a result, current opportunities in these markets are limited. The Group will continue to sell down non-core properties, develop Airpark II, and continue in building stronger cash reserves for investments with higher risk and higher returns.

Positioned within the Asian Pacific region, the Group will maximize its connectivity capability and expertise to invest in geographical areas where cyclical low in property markets exist.

Chairman's Statement

Management and Staff

The Group had 170 employees at the end of 2003 compared with 200 at the end of 2002. Salary and benefits are reviewed at least annually both in response to market conditions and trends and in conjunction with individual performance appraisals. Fringe benefits including study and training allowances, and voluntary employer contributions to retirement schemes are offered to most employees. The Company operates an employee share option scheme with options granted to the Group employees on a discretionary basis by the Board.

The board wishes to thank to the management and staff for their commitment, contribution and dedication and to the customers and tenants for their continuous support to the Group.

Lu Wing Chi

Chairman and Managing Director

Hong Kong, 25th March, 2004

Directors and Senior Management

Executive Directors

Mr. Lu Wing Chi, aged 57, joined the Group in 1969, and is the Chairman and Managing Director of the Company. Mr. Lu has over 35 years of experience in property developments and investments in Hong Kong and overseas. He is the son of the founder of the Company, Mr. Lu Chu Mang; brother of Mr. Lu Wing Lin and father of Mr. Lincoln Lu and Mr. Lambert Lu.

Mr. Lu Wing Yuk, Andrew, aged 57, joined the Group and acted as Executive Director of the Company since 1992. Mr. Lu is also the Managing Director of Kian Nan Trading Company Limited. He has over 34 years of experience in the textile industry and international trading.

Mr. Lu Wing Lin, aged 52, joined the Group in 1976 and now is the Executive Director of the Company. Mr. Lu holds a Bachelor of Finance degree and has over 27 years of experience in public godown operations and property developments. He is the son of the founder of the Company, Mr. Lu Chu Mang, and brother of Mr. Lu Wing Chi.

Mr. Lincoln Lu, aged 29, joined the Group in 1998 and now is the Executive Director of the Company. Mr. Lu holds a Bachelor of Arts degree from the University of British Columbia. Mr. Lu is primarily responsible for the group's project management operations as well as property investments in the Greater China region. He is the son of Mr. Lu Wing Chi and elder brother of Mr. Lambert Lu.

Mr. Lambert Lu, aged 27, joined the Group in 1999 and now is the Executive Director of the Company. Mr. Lu holds a Bachelor of Science degree and has extensive experience in investment and property development. He is the son of Mr. Lu Wing Chi and brother of Mr. Lincoln Lu.

Non-Executive Director

Mr. Lu Yong Lee, aged 65, acted as non-executive Director of the Company since 1990 and also the Managing Director of Hua Tong Union Company Limited in Japan and a Director of Safety Godown Company Limited. Mr. Lu holds a Bachelor of Commerce degree and has over 39 years of experience in property developments and international trading.

Independent Non-Executive Directors

Mr. Walujo Santoso, Wally, aged 51, acted as independent non-executive Director of the Company since 1994 and also the Managing Director of Grand Ocean (International) Limited. Mr. Santoso holds a Diploma in Accounting and has over 27 years of experience in international trading and manufacturing.

Mr. Leung Hok Lim, FCPA (Aust.), CPA (Macau), FHKSA, CPA, aged 69, acted as independent non-executive Director of the Company since February 1999 and is the founding and senior partner of PKF, Certified Public Accountants. Mr. Leung obtained his fellowship with Hong Kong Society of Accountants in 1973. He is the vice chairman of the Business Enterprise Management Centre of the Hong Kong Management Association, a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited and a number of listed companies.

Senior Executives

Mr. Lam Sing Tai, aged 57, a Real Estate Administrator, General Manager of the Company and is responsible for the Business Department. He is a Director of South-East Asia Investment and Agency Company, Limited and a number of the Group's subsidiary companies. Mr. Lam joined the Group in 1973 and has over 30 years of experience in property investments and developments.

Mr. Lee Bo Yuen, Tom, MBA, BSc., FCCA, FHKSA, ACIS, ACS, aged 40, joined the Group in July 1998 as Financial Controller of SEABO group, the property development and investment division in China. He is a fellow member of The Chartered Association of Certified Accountants and The Hong Kong Society of Accountants. He has more than 18 years of auditing and corporate finance experience in professional and commercial firms.

Directors and Senior Management

Senior Executives *(continued)*

Mrs. Sin Li Mei Wah, Jenifer, *MBA, LLB, FCIS*, aged 48, Company Secretary and General Manager of the Company. Mrs. Sin joined the Group in July 1998. She has more than 26 years of experience in legal, company secretarial, general administration and management.

Ms. Wong Ah Lai, Nancy, aged 47, joined the Group in March 2003 as Group Financial Controller. She is a member of Certified General Accountants Association of Canada and holds a Bachelor Degree in Business Administration of Simon Fraser University in Canada. She has over 21 years experience in auditing, taxation, financial and management accounting, budgeting, treasury, corporate finance, administration and general management.

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 <i>(Note 1)</i>	14,000	30.43
Lincoln Lu	5,000	12,000 <i>(Note 1)</i>	17,000	36.96
Lambert Lu	5,000	12,000 <i>(Note 1)</i>	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 <i>(Note 2)</i>	62.77
Lambert Lu	98,210 <i>(Note 2)</i>	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

德勤 • 關黃陳方會計師行

Certified Public Accountants 香港中環干諾道中111號
26/F, Wing On Centre 永安中心26樓
111 Connaught Road Central
Hong Kong

**Deloitte
Touche
Tohmatsu**

TO THE MEMBERS OF S E A HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 21 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 25th March, 2004

Consolidated Income Statement

For the year ended 31st December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000 (restated)
Turnover	4	592,853	741,459
Other operating income		77,964	35,477
Changes in inventories and properties held for sale	6	(195,082)	(227,153)
Staff costs		(61,945)	(66,608)
Depreciation and amortisation		(3,750)	(3,976)
Other operating expenses		(102,134)	(171,797)
Net gain (loss) on investments and properties	7	98,836	(438,259)
Release of negative goodwill		56,510	17,240
Profit (loss) from operations	8	463,252	(113,617)
Finance costs	9	(158,679)	(196,155)
Share of results of associates		(2,071)	(5,777)
Share of results of jointly controlled entities		6,105	(611)
Profit (loss) before taxation		308,607	(316,160)
Taxation	12	(10,775)	(11,033)
Profit (loss) before minority interests		297,832	(327,193)
Minority interests		(110,571)	124,609
Net profit (loss) for the year		187,261	(202,584)
Dividends	13	51,125	—
Earnings (loss) per share	14		
Basic		HK36.6 cents	HK(39.6) cents
Diluted		HK36.2 cents	N/A

Balance Sheets

At 31st December, 2003

	Notes	THE GROUP		THE COMPANY	
		2003 HK\$'000	2002 HK\$'000 (restated)	2003 HK\$'000	2002 HK\$'000
Non-current Assets					
Investment properties	15	3,901,487	5,256,262	—	—
Property, plant and equipment	16	396,954	336,126	—	—
Permanent quotas	17	—	—	—	—
Negative goodwill	18	(247,125)	(143,507)	—	—
Investments in subsidiaries	19	—	—	136,586	136,586
Interests in associates	20	16,484	17,968	—	—
Interests in jointly controlled entities	21	3,979	—	—	—
Other investments	22	80,277	74,629	—	—
Amounts due from jointly controlled entities	23	2,790	2,856	—	—
Other loans receivable	24	7,409	71,757	—	—
		4,162,255	5,616,091	136,586	136,586
Current Assets					
Inventories	25	1,901	8,542	—	—
Properties held for sale	26	540,456	589,856	—	—
Other investments	22	19,145	19,300	—	—
Other loans receivable	24	60,867	48,288	—	—
Debtors, deposits and prepayments	27	204,696	78,775	223	150
Taxation recoverable		7,726	7,244	—	—
Advance to a director of an indirect subsidiary	28	1,606	1,302	—	—
Amounts due from subsidiaries	29	—	—	1,928,222	2,226,351
Amount due from an associate	30	2,020	—	—	—
Pledged bank deposits	47(d)	69,655	157,744	20,650	2,041
Bank balances and deposits		1,811,232	722,825	115,417	346,271
		2,719,304	1,633,876	2,064,512	2,574,813
Current Liabilities					
Creditors, deposits received and accrued charges	31	207,161	210,525	2,327	818
Sales deposits on properties for sale received		73,515	1,613	—	—
Provisions	32	104,672	68,864	—	—
Taxation payable		19,433	27,678	—	—
Amounts due to subsidiaries	29	—	—	71,044	361,808
Amount due to an associate	30	—	2,824	—	—
Borrowings — due within one year	33	205,543	428,942	20,549	218,435
Obligations under finance leases — due within one year	34	—	911	—	—
		610,324	741,357	93,920	581,061
Net Current Assets		2,108,980	892,519	1,970,592	1,993,752
		6,271,235	6,508,610	2,107,178	2,130,338

Balance Sheets

At 31st December, 2003

	Notes	THE GROUP		THE COMPANY	
		2003 HK\$'000	2002 HK\$'000 (restated)	2003 HK\$'000	2002 HK\$'000
Capital and Reserves					
Share capital	36	51,125	51,125	51,125	51,125
Reserves	38	2,625,609	2,389,079	2,056,053	2,079,213
		2,676,734	2,440,204	2,107,178	2,130,338
Minority Interests	40	875,015	1,446,675	—	—
Non-current Liabilities					
Borrowings — due after one year	33	2,672,522	2,578,629	—	—
Obligations under finance leases					
— due after one year	34	—	1,407	—	—
Other payables — due after one year	35	18,800	18,859	—	—
Deferred taxation	39	28,164	22,836	—	—
		2,719,486	2,621,731	—	—
		6,271,235	6,508,610	2,107,178	2,130,338

The financial statements on pages 21 to 64 were approved and authorised for issue by the Board of Directors on 25th March, 2004 and are signed on its behalf by:

Lu Wing Chi
Chairman and Managing Director

Lu Wing Lin
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2003

	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Translation reserve HK\$'000	Investments revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st January, 2002										
— as original stated	51,125	155,588	469,850	(308,050)	(63,202)	4,451	277,707	51,125	1,986,346	2,624,940
— prior period adjustment	—	—	(13,144)	—	—	—	—	—	(5,946)	(19,090)
— as restated	51,125	155,588	456,706	(308,050)	(63,202)	4,451	277,707	51,125	1,980,400	2,605,850
Revaluation deficit arising on investment properties	—	—	(279,865)	—	—	—	—	—	—	(279,865)
Deferred tax liability arising on revaluation of properties	—	—	(1,913)	—	—	—	—	—	—	(1,913)
Exchange movement during the year	—	—	—	138,281	—	—	—	—	—	138,281
Unrealised holding loss on investments in securities	—	—	—	—	(15,807)	—	—	—	—	(15,807)
Net (loss) profit not recognised in the income statement	—	—	(281,778)	138,281	(15,807)	—	—	—	—	(159,304)
Released upon disposal of investment properties	—	—	179,338	—	—	—	—	—	—	179,338
Impairment loss on investments in securities	—	—	—	—	68,017	—	—	—	—	68,017
Released upon disposal of investments in securities	—	—	—	—	12	—	—	—	—	12
Net loss for the year	—	—	—	—	—	—	—	—	(202,584)	(202,584)
Dividend paid	—	—	—	—	—	—	—	(51,125)	—	(51,125)
At 31st December, 2002	51,125	155,588	354,266	(169,769)	(10,980)	4,451	277,707	—	1,777,816	2,440,204
Revaluation deficit arising on investment properties	—	—	(93,501)	—	—	—	—	—	—	(93,501)
Deferred tax liability arising on revaluation of properties	—	—	(2,582)	—	—	—	—	—	—	(2,582)
Exchange movement during the year	—	—	—	211,723	—	—	—	—	—	211,723
Unrealised holding gain on investments in securities	—	—	—	—	4,849	—	—	—	—	4,849
Net (loss) profit not recognised in the income statement	—	—	(96,083)	211,723	4,849	—	—	—	—	120,489
Released upon disposal of investment properties	—	—	(50,770)	—	—	—	—	—	—	(50,770)
Net profit for the year	—	—	—	—	—	—	—	—	187,261	187,261
Dividend proposed	—	—	—	—	—	—	—	30,675	(30,675)	—
Dividend paid	—	—	—	—	—	—	—	—	(20,450)	(20,450)
At 31st December, 2003	51,125	155,588	207,413	41,954	(6,131)	4,451	277,707	30,675	1,913,952	2,676,734
Attributed to:										
The Company and subsidiaries	51,125	155,588	207,413	38,316	(6,131)	4,451	277,707	30,675	1,934,430	2,693,574
Associates	—	—	—	3,638	—	—	—	—	(24,457)	(20,819)
Jointly controlled entities	—	—	—	—	—	—	—	—	3,979	3,979
	51,125	155,588	207,413	41,954	(6,131)	4,451	277,707	30,675	1,913,952	2,676,734

The contributed surplus of the Group represents the difference between the nominal value of the shares of an acquired subsidiary and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

Consolidated Cash Flow Statement

For the year ended 31st December, 2003

	2003 HK\$'000	2002 HK\$'000
OPERATING ACTIVITIES		
Profit (loss) from operations	463,252	(113,617)
Adjustments for:		
Interest income	(54,419)	(23,404)
(Gain) loss on disposal of investment properties	(72,857)	364,508
(Write back of) allowance for properties held for sale	(21,659)	6,403
Realised gain on disposal of investments in securities	(2,300)	(418)
Gain on deemed disposal of an associate	(2,175)	—
Unrealised holding loss on investments in trading securities	155	5,549
Impairment loss reversed in respect of loan to a jointly controlled entity	—	(8,403)
Gain on disposal of a subsidiary	—	(3,745)
Impairment loss on investments in non-trading securities	—	68,017
Loss on dilution of interests in subsidiaries	—	6,348
Amortisation of transaction costs on bank loans	1,200	1,200
Bad debts written off	376	1,303
Depreciation and amortisation	3,750	3,976
Loss (gain) on disposal of property, plant and equipment	967	(1,244)
Gain on repurchase of preference convertible promissory notes	(15,600)	—
Release of negative goodwill	(56,510)	(17,240)
Operating cash flows before movements in working capital	244,180	289,233
Decrease (increase) in inventories	6,641	(1,187)
Increase in properties held for sale	(16,582)	(86,662)
Decrease in other investments	—	17,613
(Increase) decrease in debtors, deposits and prepayments	(98,426)	78,936
Decrease in amounts due from associates	—	796
(Decrease) increase in creditors, deposits received and accrued charges	(556)	16,278
Increase (decrease) in sales deposits on properties for sale received	71,902	(70,851)
Cash generated from operations	207,159	244,156
Interest received	50,809	21,284
Interest and facilities charges paid on bank and other borrowings	(177,109)	(205,915)
Interest paid on obligations under finance leases	—	(208)
Dividends paid	(20,450)	(51,125)
Hong Kong Profits Tax paid	(9,016)	(9,768)
Overseas tax (paid) refunded	(5,989)	2,709
CASH FROM OPERATING ACTIVITIES	45,404	1,133

Consolidated Cash Flow Statement

For the year ended 31st December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
INVESTING ACTIVITIES			
Proceeds on disposal of investment properties		2,169,815	669,149
Decrease in pledged bank deposits		88,089	881,202
Repayment of other loans receivable		79,646	—
Dividend received from an associate		5,226	2,495
Proceeds on disposal of investments in securities		4,968	15,285
Proceeds on disposal of property, plant and equipment		2,369	11,023
Repayment from (advance to) jointly controlled entities		66	(62)
Purchase of further interests in subsidiaries		(707,049)	—
Purchase of property, plant and equipment		(131,730)	(7,868)
Purchase of investment properties		(15,229)	(75,104)
Payment of provision for rental guarantees		(9,912)	—
Loan to an associate		(2,020)	—
Addition of other loans receivable		(480)	(87,147)
Purchase of investments in securities		(7)	(11,308)
Repayment of loan from a jointly controlled entity		—	47,040
Purchase of subsidiaries (net of cash and cash equivalents acquired)	41	—	33,318
Disposal of a subsidiary (net of cash and cash equivalents disposed)	42	—	(4,584)
NET CASH FROM INVESTING ACTIVITIES		1,483,752	1,473,439
FINANCING ACTIVITIES			
Repayment of bank and other loans		(1,854,191)	(2,757,578)
(Repayment to) advances from minority shareholders		(45,893)	50,576
Dividends paid to minority shareholders		(27,170)	(52,060)
Repayment to associates		(3,272)	(7,777)
Repayment of obligations under finance leases		(2,683)	(1,367)
Funds received from bank and other loans		1,331,836	1,680,945
Decrease in other payables		—	(4,715)
Repurchase of shares of a subsidiary		—	(4,171)
NET CASH USED IN FINANCING ACTIVITIES		(601,373)	(1,096,147)
NET INCREASE IN CASH AND CASH EQUIVALENTS		927,783	378,425
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		722,825	355,971
Effect of foreign exchange rate changes		160,624	(11,571)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and deposits		1,811,232	722,825

Notes To The Financial Statements

For the year ended 31st December, 2003

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted Hong Kong Financial Reporting Standards ("HKFRSs") newly issued by the Hong Kong Society of Accountants ("HKSA"). The term of HKFRS is inclusive of the Statement of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA.

Income taxes

In current year, the Group has adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. Details of this revised accounting policy are set out in note 3. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the balance of accumulated profits at 1st January, 2002 has been decreased by HK\$5,946,000, representing the cumulative effect of the change in policy on the results for periods prior to 1st January, 2002. The balance on the Group's investment property revaluation reserve at 1st January, 2002 has been decreased by HK\$13,144,000, representing the deferred tax liability recognised in respect of the revaluation surplus on the Group's investment properties at that date. The change has resulted in a decrease in the profit and a decrease in the investment properties revaluation reserve of HK\$2,746,000 (2002: HK\$1,833,000) and HK\$2,582,000 (2002: HK\$1,913,000) respectively for the year ended 31st December, 2003.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its estimated useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Notes To The Financial Statements

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill (continued)

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful lives of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets acquired, it is recognised as income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Revenue recognition

Development properties

When properties are developed for sale, income is recognised only when the sale is completed and when the relevant building occupation/sale permit is issued by the relevant authority. Payments received from purchasers prior to this stage are recorded as sales deposits under current liabilities.

Others

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Securities trading income is recognised on a trade-date basis when contracts are executed.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value at the balance sheet date. They are valued at intervals of not more than three years by independent professionally qualified valuers. In each of the intervening years, valuations are undertaken by professionally qualified executives of the Group. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment other than properties under development are stated at cost less depreciation or amortisation and accumulated impairment losses.

Notes To The Financial Statements

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation or amortisation is provided to write off the cost of items of property, plant and equipment other than properties under development over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Land and buildings	2% to 4%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Plant and machinery	10%
Leasehold improvements	25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Properties under development

Properties under development held for investment are classified under property, plant and equipment and are stated at cost less any identified impairment loss.

Properties under development held for sale are classified under current assets and are stated at the lower of cost and net realisable value.

Cost comprises land cost and development costs including attributable borrowing costs and charges capitalised during the development period.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Quotas

Revenue from the sale of, and the cost of acquiring, temporary quotas are dealt with in the income statement at the time of shipments or when the sale of the related goods is completed. Quotas allocated by the authorities in Hong Kong are not recognised in the financial statements. The cost of permanent quotas acquired is amortised over three years after the year of acquisition.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

Notes To The Financial Statements

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that other SSAP.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Transactions costs on bank borrowings

The transaction costs incurred in connection with the bank borrowings raised are deferred and charged to the income statement over the period of the bank borrowings from the date of bank borrowings withdrawn to the final repayment maturity date so as to produce a constant periodic rate of charge on the remaining balance of the bank borrowings for each accounting period.

Notes To The Financial Statements

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of subsidiaries, associates and jointly controlled entities which are denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such transaction differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state managed retirement benefit scheme/the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Notes To The Financial Statements

For the year ended 31st December, 2003

4. TURNOVER

Turnover comprises:

	2003 HK\$'000	2002 HK\$'000
Gross rental income	317,111	441,322
Gross proceeds from sale of properties	125,170	152,707
Gross invoiced sales	147,487	143,684
Agency and service fees income	718	1,343
Dividend income	1,678	1,739
Project management fee income	689	664
	592,853	741,459

5. GEOGRAPHICAL AND BUSINESS SEGMENTS

Geographical segments

The operations of the Group are currently located in New Zealand, Australia, Greater China other than Hong Kong (the "PRC") and Hong Kong. The corresponding geographical locations of the Group's assets are the basis on which the Group reports its primary segment information.

	Year ended 31st December, 2003							Consolidated HK\$'000
	New Zealand HK\$'000	Australia HK\$'000	PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Eliminations HK\$'000		
REVENUE								
External sales	244,037	92,763	14,861	241,192	—	—	—	592,853
Inter-segment sales*	—	—	31	543	—	(574)	—	—
Total revenue	244,037	92,763	14,892	241,735	—	(574)	—	592,853
RESULT								
Segment profit (loss)	162,068	129,479	(8,056)	148,373	14,802	—	—	446,666
Interest income								54,419
Unallocated corporate expenses								(37,833)
Profit from operations								463,252
Finance costs								(158,679)
Share of results of associates	104	—	—	(2,175)	—	—	—	(2,071)
Share of results of jointly controlled entities	—	—	6,105	—	—	—	—	6,105
Profit before taxation								308,607
Taxation								(10,775)
Profit before minority interests								297,832
Minority interests								(110,571)
Net profit for the year								187,261

* Inter-segment sales are charged at prevailing market rates.

Notes To The Financial Statements

For the year ended 31st December, 2003

5. GEOGRAPHICAL AND BUSINESS SEGMENTS (continued)

Geographical segments (continued)

Balance Sheet at 31st December, 2003

	New					Consolidated
	Zealand	Australia	PRC	Hong Kong	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS						
Segment assets	1,764,111	1,937,936	457,296	2,581,104	110,133	6,850,580
Interests in associates	16,484	—	—	—	—	16,484
Interests in jointly controlled entities	—	—	3,979	—	—	3,979
Amounts due from jointly controlled entities	—	—	2,790	—	—	2,790
Taxation recoverable	—	—	—	—	—	7,726
Consolidated total assets						6,881,559
LIABILITIES						
Segment liabilities	110,040	75,693	120,396	97,571	448	404,148
Borrowings	1,007,981	672,343	56,762	1,092,217	48,762	2,878,065
Taxation payable	—	—	—	—	—	19,433
Deferred taxation	—	—	—	—	—	28,164
Consolidated total liabilities						3,329,810

Other Information for the year ended 31st December, 2003

	New					Consolidated
	Zealand	Australia	PRC	Hong Kong	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	145,840	491	491	1,357	—	148,179
Depreciation and amortisation	905	646	247	1,921	31	3,750
Net gain (loss) on investments and properties	(2,694)	76,787	—	24,743	—	98,836
Release of negative goodwill	(341)	44,585	—	12,266	—	56,510
Gain (loss) on disposal of property, plant and equipment	(1,048)	(11)	—	92	—	(967)
Bad debts written off	376	—	—	—	—	376

Notes To The Financial Statements

For the year ended 31st December, 2003

5. GEOGRAPHICAL AND BUSINESS SEGMENTS (continued)

Geographical segments (continued)

	Year ended 31st December, 2002 (restated)						
	New Zealand HK\$'000	Australia HK\$'000	PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	176,961	159,089	155,731	249,678	—	—	741,459
Inter-segment sales*	—	—	92	1,126	—	(1,218)	—
Total revenue	176,961	159,089	155,823	250,804	—	(1,218)	741,459
RESULT							
Segment profit (loss)	(276,525)	112,294	6,002	50,244	(670)	—	(108,655)
Interest income							23,404
Unallocated corporate expenses							(28,366)
Loss from operations							(113,617)
Finance costs							(196,155)
Share of results of associates	(465)	—	—	(5,312)	—	—	(5,777)
Share of results of jointly controlled entities	—	—	(611)	—	—	—	(611)
Loss before taxation							(316,160)
Taxation							(11,033)
Loss before minority interests							(327,193)
Minority interests							124,609
Net loss for the year							(202,584)

* Inter-segment sales are charged at prevailing market rates.

Notes To The Financial Statements

For the year ended 31st December, 2003

5. GEOGRAPHICAL AND BUSINESS SEGMENTS (continued)

Geographical segments (continued)

Balance Sheet at 31st December, 2002 (restated)

	New					Consolidated
	Zealand	Australia	PRC	Hong Kong	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS						
Segment assets	1,513,244	2,260,097	476,075	2,866,686	105,797	7,221,899
Interests in associates	17,968	—	—	—	—	17,968
Amounts due from jointly controlled entities	—	—	2,856	—	—	2,856
Taxation recoverable	—	—	—	—	—	7,244
Consolidated total assets						7,249,967
LIABILITIES						
Segment liabilities	40,912	38,730	139,392	83,198	453	302,685
Borrowings	866,384	814,292	62,495	1,221,063	45,655	3,009,889
Taxation payable	—	—	—	—	—	27,678
Deferred taxation	—	—	—	—	—	22,836
Consolidated total liabilities						3,363,088

Other Information for the year ended 31st December, 2002

	New					Consolidated
	Zealand	Australia	PRC	Hong Kong	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	84,267	731	1,739	500	—	87,237
Depreciation and amortisation	1,109	681	307	1,851	28	3,976
Net gain (loss) on investments and properties	(366,826)	(5,011)	8,403	(74,825)	—	(438,259)
Release of negative goodwill	—	4,974	—	12,266	—	17,240
Gain (loss) on disposal of properties, plant and equipment	2	2,008	—	(770)	4	1,244
Bad debts written off	(471)	(185)	(260)	(387)	—	(1,303)

Note: The location of assets is similar to the location of customers.

Business segments

The Group is currently organised into four operating divisions — property investment, garment manufacturing and trading, investment and property development.

Principal activities are as follows:

Property investment	—	rental of properties
Garment manufacturing and trading	—	manufacturing and trading of garment products
Investment	—	investment in securities and treasury investments
Property development	—	development of properties

Other than the garment manufacturing and trading with location of its operations mainly in Hong Kong, all the above divisions are operating in New Zealand, Australia, PRC and Hong Kong.

Notes To The Financial Statements

For the year ended 31st December, 2003

5. GEOGRAPHICAL AND BUSINESS SEGMENTS (continued)

Business segments (continued)

The following table provides an analysis of the Group's sales revenue and contribution to profit (loss) from operations by business segment:

	Sales revenue by business segment		Contribution to profit (loss) from operations	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property investment	316,094	442,433	387,300	(27,607)
Garment manufacturing and trading	147,488	143,684	4,535	22,983
Investment	2,705	3,260	18,918	(57,944)
Property development	126,202	151,598	37,697	(13,601)
Others	364	484	(1,784)	(32,486)
	592,853	741,459	446,666	(108,655)
Interest income			54,419	23,404
Unallocated corporate expenses			(37,833)	(28,366)
Profit (loss) from operations			463,252	(113,617)

The following is an analysis of the carrying amount of segment assets, and additions to investment properties and property, plant and equipment analysed by business segments:

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property investment	5,458,130	5,610,479	145,840	84,267
Garment manufacturing and trading	40,881	42,227	1,180	200
Investment	79,013	88,767	177	17
Property development	941,531	900,063	491	1,739
Others	18,112	28,002	491	1,014
	6,537,667	6,669,538	148,179	87,237
Unallocated corporate assets	343,892	580,429		
Consolidated total assets	6,881,559	7,249,967		

Notes To The Financial Statements

For the year ended 31st December, 2003

6. CHANGES IN INVENTORIES AND PROPERTIES HELD FOR SALE

	2003 HK\$'000	2002 HK\$'000
Changes in inventories of manufactured finished goods and work-in-progress	(6,423)	913
Raw materials and consumables used	(29,856)	(27,896)
Purchase of goods held for resale	(61,778)	(63,599)
Changes in inventories of properties held for sale	14,346	93,434
Costs incurred on properties held for sale	(111,371)	(230,005)
	(195,082)	(227,153)

7. NET GAIN (LOSS) ON INVESTMENTS AND PROPERTIES

	2003 HK\$'000	2002 HK\$'000
Gain (loss) on disposal of investment properties	72,857	(364,508)
Write back of (allowance for) properties held for sale	21,659	(6,403)
Realised gain on disposal of investments in securities	2,300	418
Gain on deemed disposal of an associate	2,175	—
Unrealised holding loss on investments in trading securities	(155)	(5,549)
Write back of allowance for loan to a joint controlled entity	—	8,403
Gain on disposal of a subsidiary	—	3,745
Impairment loss on investments in non-trading securities	—	(68,017)
Loss on dilution of interests in subsidiaries	—	(6,348)
	98,836	(438,259)

Notes To The Financial Statements

For the year ended 31st December, 2003

8. PROFIT (LOSS) FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	3,056	2,923
(Over)underprovision for prior years	(75)	110
Bad debts written off	376	1,303
Directors' emoluments (note 10)	12,865	6,519
Loss on disposal of property, plant and equipment	967	—
Net exchange loss	—	1,929
Rental payments under operating leases	7,451	21,089
and crediting:		
Gross rental income from investment properties	316,079	440,266
Less: Outgoings	(29,513)	(44,248)
Net rental income from investment properties	286,566	396,018
Net rental income from other properties	1,032	1,056
	287,598	397,074
Interest earned on bank deposits	40,780	23,203
Other interest income	13,639	201
	54,419	23,404
Dividend income from listed investments	1,666	1,739
Dividend income from unlisted investments	12	—
Gain on disposal of property, plant and equipment	—	1,244
Gain on repurchase of preference convertible promissory notes	15,600	—
Net exchange gain	904	—

9. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank loans wholly repayable within 5 years	123,226	139,255
Bank loans not wholly repayable within 5 years	21,654	38,786
Obligations under finance leases	57	208
Convertible capital notes/bonds	18,860	15,120
Total interest	163,797	193,369
Less: Amounts capitalised to property development projects	(7,147)	(4,965)
	156,650	188,404
Facilities charges	2,029	7,751
	158,679	196,155

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6% (2002: 7%) to expenditure on qualifying assets.

Notes To The Financial Statements

For the year ended 31st December, 2003

10. DIRECTORS' EMOLUMENTS

	2003 HK\$'000	2002 HK\$'000
Directors' fees:		
Executive	70	70
Non-executive	20	50
Independent non-executive	40	40
	130	160
Management remuneration:		
Executive		
Salaries and other benefits	5,300	5,525
Performance based bonus	5,940	—
Contributions to pension scheme	775	754
Discretionary payments	600	—
Independent non-executive		
Other remuneration	120	80
	12,735	6,359
	12,865	6,519

Their emoluments were within the following bands:

	2003 Number of directors	2002 Number of directors
Nil to HK\$500,000	7	4
HK\$500,001 to HK\$1,000,000	—	1
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$2,500,001 to HK\$3,000,000	1	—
HK\$3,000,001 to HK\$3,500,000	—	1
HK\$9,000,001 to HK\$9,500,000	1	—
	9	7

No directors waived their emoluments during the year.

Notes To The Financial Statements

For the year ended 31st December, 2003

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2002: two) were directors of the Company whose emoluments are included in the disclosures in note 10. The emoluments of the remaining three (2002: three) individuals were as follows:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Salaries and other remuneration	5,769	5,773
Performance based bonus	914	—
Contributions to pension scheme	45	123
Compensation for loss of office	—	693
	6,728	6,589

Their emoluments were within the following bands:

	2003 Number of employees	2002 Number of employees
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$3,500,001 to HK\$4,000,000	1	—
	3	3

Notes To The Financial Statements

For the year ended 31st December, 2003

12. TAXATION

	2003 HK\$'000	2002 HK\$'000 (restated)
The charge comprises:		
Current year		
Hong Kong	3,833	7,362
Other regions in the PRC	—	967
Other jurisdictions	1,887	3,185
	5,720	11,514
Under(over)provision in prior years		
Hong Kong	(480)	(2,314)
Other regions in the PRC	663	—
	183	(2,314)
	5,903	9,200
Deferred tax		
Current year	2,101	1,833
Attributable to a change in tax rate	645	—
	2,746	1,833
Taxation attributable to the Company and its subsidiaries	8,649	11,033
Share of taxation attributable to jointly controlled entities	2,126	—
	10,775	11,033

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st December, 2003.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of deferred taxation are set out in note 39.

Notes To The Financial Statements

For the year ended 31st December, 2003

12. TAXATION (continued)

The taxation for the year can be reconciled from taxation based on profit (loss) per the income statement as follows:

	Hong Kong and PRC		New Zealand, Australia and others		Total	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) before taxation	88,962	2,603	219,645	(318,763)	308,607	(316,160)
Applicable income tax rate	17.5%	16%	33%	33%		
Tax at the applicable income tax rate	15,568	416	72,483	(105,192)	88,051	(104,776)
Tax effect of expenses not deductible for tax purpose	2,154	13,758	20,574	38,747	22,728	52,505
Tax effect of income not taxable for tax purpose	(7,645)	(7,047)	(20,997)	(3,710)	(28,642)	(10,757)
Under(over)provision in prior years	183	(2,314)	—	—	183	(2,314)
Tax effect of losses not recognised (utilisation of losses previously not recognised), net	9,199	1,219	(72,060)	70,290	(62,861)	71,509
Tax effect of (decrease) increase in deferred tax assets on deductible temporary differences not recognised	(13,322)	233	—	—	(13,322)	233
Withholding tax on dividend income	—	—	1,887	3,061	1,887	3,061
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	645	—	—	—	645	—
Tax effect of share of loss of associates not recognised	381	850	—	—	381	850
Effect of different tax rates of subsidiaries and jointly controlled entities operated in other jurisdictions	1,725	733	—	(11)	1,725	722
Taxation for the year	8,888	7,848	1,887	3,185	10,775	11,033

13. DIVIDENDS

	2003	2002
	HK\$'000	HK\$'000
Final — HK6 cents per share (2002: nil)	30,675	—
Interim — HK4 cents per share (2002: nil)	20,450	—
	51,125	—

A final dividend of HK6 cents (2002: nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

Notes To The Financial Statements

For the year ended 31st December, 2003

14. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> <i>(restated)</i>
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	187,261	(202,584)
	Number of shares	
	2003	2002
Number of ordinary shares for the purposes of basic earnings (loss) per share	511,246,868	511,246,868
Effect of dilutive potential ordinary shares		
Options	886,484	N/A
Warrants	5,352,693	N/A
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	517,486,045	511,246,868

No diluted loss per share for 2002 has been presented because the exercise prices of the Company's options and warrants were higher than the average market price of the Company's shares for 2002.

The computation of diluted earnings (loss) per share does not assume the conversion of the preference convertible promissory notes of a subsidiary of the Company since their exercise would result in an increase in the net profit per share (2002: decrease in the net loss per share).

The adjustment to comparative basic loss per share, arising from the adoption of HKFRS shown in note 2, is as follows:

Reconciliation of 2002 basic loss per share:

	<i>HK cents</i>
Reported figures before adjustments	(39.3)
Adjustments arising from the adoption of SSAP 12 (Revised)	(0.3)
Restated	(39.6)

Notes To The Financial Statements

For the year ended 31st December, 2003

15. INVESTMENT PROPERTIES

	New Zealand and Australia held under freehold HK\$'000	Hong Kong held under long leases HK\$'000	Hong Kong held under medium- term leases HK\$'000	PRC held under medium- term leases HK\$'000	Australia held under long leases HK\$'000	New Zealand held under medium- term leases HK\$'000	New Zealand held under long leases HK\$'000	Total HK\$'000
THE GROUP								
VALUATION								
At 1st January, 2003	3,019,602	83,000	1,900,000	36,400	108,290	13,172	95,798	5,256,262
Exchange adjustments	592,460	—	—	—	34,168	3,404	22,477	652,509
Additions	13,403	—	—	—	—	3	1,823	15,229
Disposals	(2,132,678)	—	—	—	—	—	—	(2,132,678)
Transfer from properties under development	202,235	—	—	—	—	—	—	202,235
Reclassification	—	—	—	—	—	313	(313)	—
Surplus (deficit) on valuation	316	(2,000)	(100,000)	2,900	4,608	2,683	(577)	(92,070)
At 31st December, 2003	1,695,338	81,000	1,800,000	39,300	147,066	19,575	119,208	3,901,487

The Group's investment properties have been revalued as at 31st December, 2003 on an open market value basis by independent professional valuers as follows:

Properties situated in	Name of independent professional valuers
New Zealand and Australia held under freehold	CB Richard Ellis Limited, Collier International Consultancy and Valuation Pty Limited, Colliers International New Zealand Limited
Hong Kong held under medium-term and long leases	Chesterton Petty Limited
PRC held under medium-term leases	CB Richard Ellis Limited
Australia held under long leases	Colliers International Consultancy and Valuation Pty Limited
New Zealand held under medium-term and long leases	Jones Lang LaSalle Limited

The above-mentioned valuations have been adopted by the directors in these financial statements. 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 to the investment properties revaluation reserve.

All the Group's investment properties are rented out under operating leases.

Notes To The Financial Statements

For the year ended 31st December, 2003

16. PROPERTY, PLANT AND EQUIPMENT

	Properties under development held for investment <i>HK\$'000</i>	Land and buildings <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
COST							
At 1st January, 2003	325,052	502	21,577	10,471	2,914	2,465	362,981
Exchange adjustments	30,043	21	1,695	885	—	—	32,644
Additions	128,741	—	640	3,260	93	216	132,950
Disposals	—	—	(3,741)	(4,128)	—	(46)	(7,915)
Transfer from properties held for sale	106,015	—	—	—	—	—	106,015
Transfer to investment properties	(202,235)	—	—	—	—	—	(202,235)
At 31st December, 2003	387,616	523	20,171	10,488	3,007	2,635	424,440
DEPRECIATION AND AMORTISATION/ IMPAIRMENT							
At 1st January, 2003	—	130	16,069	6,788	1,448	2,420	26,855
Exchange adjustments	—	6	1,158	296	—	—	1,460
Provided for the year	—	19	1,861	1,669	170	31	3,750
Eliminated on disposals	—	—	(1,922)	(2,657)	—	—	(4,579)
At 31st December, 2003	—	155	17,166	6,096	1,618	2,451	27,486
NET BOOK VALUES							
At 31st December, 2003	387,616	368	3,005	4,392	1,389	184	396,954
At 31st December, 2002	325,052	372	5,508	3,683	1,466	45	336,126

The net book values of properties shown above comprises:

	Properties under development held for investment		Land and buildings	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
In PRC held under long leases	188,005	188,478	101	104
In Hong Kong held under medium- term leases	106,015	—	—	—
In New Zealand held under freehold	93,596	—	—	—
In Australia held under freehold	—	136,574	—	—
In Indonesia under long leases	—	—	267	268
	387,616	325,052	368	372

Notes To The Financial Statements

For the year ended 31st December, 2003

16. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31st December, 2003, the total borrowing costs capitalised to properties under development held for investment were HK\$10,730,000 (2002: HK\$4,207,000).

At 31st December, 2002, the carrying value of furniture, fixtures and equipment and motor vehicles include an amount of HK\$1,151,000 and HK\$1,150,000 respectively in respect of assets held under finance leases. There were no assets held under finance leases at 31st December, 2003.

17. PERMANENT QUOTAS

THE GROUP
HK\$'000

COST

At 1st January, 2003 and at 31st December, 2003 85,511

AMORTISATION

At 1st January, 2003 and at 31st December, 2003 (85,511)

CARRYING AMOUNT

At 31st December, 2003 and at 31st December, 2002 —

18. NEGATIVE GOODWILL

THE GROUP
HK\$'000

GROSS AMOUNT

At 1st January, 2003 258,880

Exchange adjustments 16,267

Arising on acquisition of further interests in subsidiaries 148,702

At 31st December, 2003 423,849

RELEASED TO INCOME

At 1st January, 2003 115,373

Exchange adjustments 4,841

Released in the year 56,510

At 31st December, 2003 176,724

CARRYING AMOUNT

At 31st December, 2003 247,125

At 31st December, 2002 143,507

The negative goodwill is released to income on a straight-line basis over 20 years, being the estimated remaining weighted average useful life of the depreciable assets acquired.

During the year, HK\$44,244,000 was released to income upon disposal of certain depreciable assets of the subsidiaries.

Notes To The Financial Statements

For the year ended 31st December, 2003

19. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted investments, at cost (net of amounts written off)	259,461	259,461
Less: Impairment losses recognised	(122,875)	(122,875)
	136,586	136,586

Details of the principal subsidiaries, all of which are companies with limited liability, at 31st December, 2003 are set out below:

Name of subsidiary	Place/country of incorporation/operation	Issued and paid up share capital/registered capital	Effective percentage of issued equity share capital/registered capital held by the Company	Principal activities
Direct subsidiary				
Chisel Limited	The British Virgin Islands/ Republic of Indonesia	2 ordinary shares of US\$1 each	100	Investment holding
SEABO Pacific Limited	Bermuda/ PRC	767,919 ordinary shares of HK\$1 each	100	Investment holding
South-East Asia Investment and Agency Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	Investment holding
Indirect subsidiary				
Australian Growth Properties Limited	Australia	301,629,886 ordinary shares of no par value	60	Property investment and development
AGP Management Limited	Australia	350,000 shares of no par value	100	Property and asset management
Chengdu Huashang House Development Co., Ltd.*	PRC	RMB133,420,000 registered capital	97	Property development
Guangzhou Yingfat House Property Development Co., Ltd. ("Yingfat")*	PRC	US\$20,110,000 registered capital	100	Property development
Handy View Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property investment and garment trading

Notes To The Financial Statements

For the year ended 31st December, 2003

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective percentage of issued equity share capital/registered capital held by the Company	Principal activities
Indirect subsidiary (continued)				
SEA Group Treasury Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	Property development and financing
Shinning Worldwide Limited	The British Virgin Islands/ Hong Kong	1,000 ordinary shares of US\$1 each	55	Property development
Sky Trend Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property development
Trans Tasman Properties Limited ("TTP")	New Zealand	594,824,424 shares of no par value	60	Property investment and development
UniMilo's Knitwear Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	60	Garment manufacturing
Wing Siu Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property investment

* These companies are incorporated in the form of Sino-foreign co-operative joint ventures. According to the shareholders' agreement of Yingfat, the PRC partner is entitled to the higher of a fixed sum of return or 5% of the profit generated from the related property development project as defined in the agreement. The Group has the full entitlement to the remaining of the profit generated.

The directors are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

Except for the 2007 bonds issued by TTP, none of the subsidiaries had issued any debt securities at the end of the year.

20. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets — unlisted	16,484	17,968
Goodwill on acquisition of associates	80,396	80,396
Impairment loss recognised	(80,396)	(80,396)
	16,484	17,968

Notes To The Financial Statements

For the year ended 31st December, 2003

20. INTERESTS IN ASSOCIATES (continued)

The goodwill arose from acquisition of the associates in 2000. As the results of these associates after acquisition were significantly below the original expectation, the directors were of the opinion that future positive returns from these investments were uncertain and the excess of the purchase consideration over the fair value of the underlying net assets representing goodwill of HK\$80,396,000 was therefore considered as impaired and charged to the income statement in the year ended 31st December, 2000.

Details of the Group's associates at 31st December, 2003, all of which are companies with limited liability, are as follows:

Name of associate	Place/ country of incorporation/ operation	Class of shares held	Effective percentage of issued equity share capital indirectly held by the Company	Principal activities
e-commerce Logistics Limited	Hong Kong	Ordinary	29	e-fulfillment, warehousing and delivery services
GSB Supplycorp Limited	New Zealand	Ordinary	43	Public sector e-procurement
Professional Service Brokers Limited	New Zealand	Ordinary Preference	43 43	e-procurement management
Supplynet Limited	New Zealand	Ordinary	41	e-commerce marketplace

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	3,979	—

As at 31st December, 2003, the Group had interests in the following principal jointly controlled entity formed as a Sino-foreign equity joint venture:

Name of entity	Country of registration/ operation	Registered capital	Effective percentage of registered capital indirectly held by the Company	Principal activities
Chengdu Mingqiang Real Estate Co., Ltd.	PRC	US\$6,000,000	50	Property development

The directors are of the opinion that a complete list of the particulars of all jointly controlled entities of the Group will be of excessive length and therefore the above list contains only the particulars of a jointly controlled entity which principally affect the results or assets of the Group.

Notes To The Financial Statements

For the year ended 31st December, 2003

22. OTHER INVESTMENTS

	Non-trading securities		Trading securities		Total	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
Investments in securities						
Equity securities:						
Listed — Hong Kong	54,755	49,906	914	1,069	55,669	50,975
— overseas	16,940	16,149	—	—	16,940	16,149
	71,695	66,055	914	1,069	72,609	67,124
Unlisted	8	—	18,231	18,231	18,239	18,231
	71,703	66,055	19,145	19,300	90,848	85,355
Club debentures/memberships:						
Unlisted	8,574	8,574	—	—	8,574	8,574
	80,277	74,629	19,145	19,300	99,422	93,929
Market value of listed securities	71,695	66,078	914	1,069	72,609	67,147
Carrying amount analysed for reporting purposes as:						
Non-current	80,277	74,629	—	—	80,277	74,629
Current	—	—	19,145	19,300	19,145	19,300
	80,277	74,629	19,145	19,300	99,422	93,929

23. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The Group

The amounts are unsecured and interest-free. The Group will not demand for repayment within the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

24. OTHER LOANS RECEIVABLE

The Group

Included in other loans receivable is a loan of NZ\$812,000 (equivalent to approximately HK\$4,119,000) (2002: nil) advanced to New Zealand Land Trust Limited ("NZLT"), a company owned as to 50% by a company associated with Mr. John Darby. Mr. John Darby is a director and has 25% interest in a non-wholly owned subsidiary of the Company. The loan is guaranteed and indemnified by Islands Limited and Ruboc Holdings Limited (the "Guarantors") and secured by a second charge over all shares held by the Guarantors in NZLT and is repayable on demand and, in any event, no later than 30th April, 2004. No interest will be required if the loan is repaid within two months from the advancement. However, if the loan is not repaid within that period, interest at 9% per annum will be calculated commencing from the date of advancement.

The remaining other loans receivable are secured by mortgages over certain leasehold properties, carry interest at commercial rate and are repayable in accordance with their respective repayment terms. Accordingly, the amount repayable within one year is classified as current asset.

Notes To The Financial Statements

For the year ended 31st December, 2003

25. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	122	339
Work-in-progress	1,527	7,857
Finished goods	252	346
	1,901	8,542

Included above are finished goods of HK\$252,000 (2002: HK\$252,000) carried at net realisable value.

26. PROPERTIES HELD FOR SALE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Completed	16,384	13,794
Under development	524,072	576,062
	540,456	589,856

At 31st December, 2003, the total borrowing costs capitalised to properties held for sale were HK\$6,515,000 (2002: HK\$20,797,000).

Included in the above are completed properties held for sale and properties under development of nil (2002: HK\$8,857,000) and HK\$326,644,000 (2002: HK\$523,021,000) respectively which are carried at net realisable value.

27. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 2.5 months to its trade customers.

Included in the Group's debtors, deposits and prepayments are trade debtors of HK\$36,081,000 (2002: HK\$41,380,000), an aged analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 to 60 days	17,588	32,673
61 to 90 days	15,899	1,892
91 to 365 days	972	2,575
Over 365 days	1,622	4,240
	36,081	41,380

Notes To The Financial Statements

For the year ended 31st December, 2003

28. ADVANCE TO A DIRECTOR OF AN INDIRECT SUBSIDIARY

THE GROUP
HK\$'000

Mr. Donald I. Fletcher

Balance at 1st January, 2003	1,302
Balance at 31st December, 2003	1,606
Maximum amount outstanding during the year	1,606

The above advance is denominated in NZ\$317,000 equivalent to HK\$1,606,000 (2002: NZ\$317,000, equivalent to HK\$1,302,000), unsecured, non-interest bearing and repayable on demand.

29. AMOUNTS DUE FROM (TO) SUBSIDIARIES

The Company

The amounts are unsecured, non-interest bearing and repayable on demand.

30. AMOUNT DUE FROM (TO) AN ASSOCIATE

The Group

The amount due from an associate is secured by a floating charge over certain assets of the associate, bears interest at commercial rate and repayable within one year.

The amount due to an associate was unsecured, non-interest bearing and fully repaid during the year.

31. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in the Group's creditors, deposits received and accrued charges are trade creditors of HK\$50,942,000 (2002: HK\$50,303,000), an aged analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0 to 60 days	31,256	36,493
61 to 90 days	15,087	9,341
91 to 365 days	573	441
Over 365 days	4,026	4,028
	50,942	50,303

Notes To The Financial Statements

For the year ended 31st December, 2003

32. PROVISIONS

	THE GROUP		
	Rehousing compensation HK\$'000	Rental guarantee HK\$'000	Total HK\$'000
At 1st January, 2002	67,032	—	67,032
Provision in the year	1,881	—	1,881
Exchange adjustments	(49)	—	(49)
At 31st December, 2002	68,864	—	68,864
Provision in the year	1,717	48,940	50,657
Reversal of provision in the year	(9,880)	—	(9,880)
Payment for the year	—	(9,912)	(9,912)
Exchange adjustments	(168)	5,111	4,943
At 31st December, 2003	60,533	44,139	104,672

The provisions for rehousing compensation represent the compensation for the delay in handover of rehousing properties to the former commercial unit owners ("Affected Owners") whose properties have been demolished due to the construction of a property developed for sale in the PRC and the estimated cost for the permanent relocation of certain of the Affected Owners who will not have rehousing properties allocated under management's plan. Such provisions are estimated based on management's best estimate by reference to the PRC statutory requirements and other relevant signed agreements. In the opinion of the directors, the compensation is expected to be paid within one year, depending on the progress of negotiation with Affected Owners.

The provision for rental guarantee represents the estimated rental compensation that will be payable to purchasers of the disposed investment properties until the time the properties were being leased out by the purchasers up to a maximum period of 36 months from the date of disposal of the properties in accordance with the sales and purchases agreements signed with the purchasers.

33. BORROWINGS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Bank loans		
— secured	2,779,599	2,598,305
— unsecured	27,173	222,611
2007 bonds (note a)	71,409	170,257
Preference convertible promissory notes (note b)	—	15,600
Other loans — unsecured	5,584	7,698
Total borrowings	2,883,765	3,014,471
Less: Unamortised transactions costs on bank loans raised	(5,700)	(6,900)
Total net borrowings	2,878,065	3,007,571

Notes To The Financial Statements

For the year ended 31st December, 2003

33. BORROWINGS (continued)

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
The borrowings are repayable as follows:		
Bank loans:		
Within one year	201,442	425,507
More than one year, but not exceeding two years	1,510,843	136,463
More than two years, but not exceeding five years	955,101	1,514,472
More than five years	139,386	744,474
	2,806,772	2,820,916
2007 bonds	71,409	170,257
Preference convertible promissory notes	—	15,600
Other loans:		
Within one year	4,101	3,435
More than one year, but not exceeding two years	1,483	3,131
More than two years, but not exceeding five years	—	1,132
	5,584	7,698
Unamortised transaction costs on bank loans raised	(5,700)	(6,900)
Total	2,878,065	3,007,571
Less: Amounts due within one year shown under current liabilities	(205,543)	(428,942)
Amount due after one year	2,672,522	2,578,629

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Bank loans		
— unsecured, due within one year	20,549	218,435

Notes:

(a) **2007 bonds**

The 2007 bonds which were issued by Trans Tasman Properties Limited ("TTP"), a subsidiary of the Company, on 21st May, 2001 have a face value of NZ\$1, carry at 10% per annum interest return and will mature on 27th June, 2007.

The 2007 bonds are secured by a floating charge over all the assets of TTP. TTP has the option to redeem the 2007 bonds, in full or on a pro-rata basis, with effect from 27th June, 2003 and thereafter on any interest payment date while the holders of the 2007 bonds have the option to require TTP to redeem 50% of the 2007 bonds with effect from 27th December, 2005. At 31st December, 2003, the outstanding 2007 bonds amounted to NZ\$14,085,000 (2002: NZ\$41,425,000).

TTP is a New Zealand public listed investment holding company and 60.0% (2002: 55.2%) of the shares in TTP is held by the Group as at 31st December, 2003.

Notes To The Financial Statements

For the year ended 31st December, 2003

33. BORROWINGS (continued)

Notes: (continued)

(b) Preference convertible promissory notes

A subsidiary of the Company issued preference convertible promissory note (the "Note") with an aggregate principal of US\$2,000,000 to an independent third party on 1st August, 2001.

The notesholder has voting rights in the subsidiary as specified in the subsidiary's Memorandum and Articles of Association. The Note bears zero interest rate and will mature on 6th July, 2004. The Note will be converted into Series B preferences shares/stocks of the subsidiary upon maturity in accordance with the terms of the Agreements. At the option of the holder of the Note and at any time during the term of the Note, the holder of the Note may convert some or all the principal into the convertible preferred shares/stocks of the subsidiary.

The Group repurchased the Note during the year.

34. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable under finance leases:				
Within one year	—	1,108	—	911
In the second to fifth year inclusive	—	1,438	—	1,407
	—	2,546		2,318
Less: Future finance charges	—	(228)	N/A	N/A
Present value of lease obligations	—	2,318	—	2,318
Less: Amount due for settlement within 12 months			—	(911)
Amount due for settlement after 12 months			—	1,407

It was the Group's policy to lease certain of its motor vehicles, furniture, fixtures and equipment under finance leases. For the year ended 31st December, 2002, the average lease term was 3 years and the average effective borrowing rate was 8% per annum. Interest rates were fixed at the contract date. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

Notes To The Financial Statements

For the year ended 31st December, 2003

35. OTHER PAYABLES

The Group

The other payables are repayable by the end of a property development project which is expected to be completed after two years, but not exceeding five years from the balance sheet date. Accordingly, the amounts are shown as non-current.

36. SHARE CAPITAL

Movements during the year in the share capital of the Company were as follows:

	Number of shares		Nominal value	
	2003	2002	2003 HK\$'000	2002 HK\$'000
Ordinary shares of HK\$0.1 each:				
Authorised:				
At beginning and end of year	1,000,000,000	1,000,000,000	100,000	100,000
Issued and fully paid:				
At beginning and end of year	511,246,868	511,246,868	51,125	51,125

37. WARRANTS

The Company had outstanding warrants expiring in 2008 entitling the registered holders to subscribe in cash for fully paid shares of HK\$0.1 each of the Company at a subscription price of HK\$1.38 per share, subject to adjustment, until 3rd December, 2008. At 31st December, 2003, the aggregate par value of shares issuable against the outstanding warrants amounted to HK\$12,101,985 (2002: HK\$12,101,985) and the amount receivable by the Company upon full exercise of the warrants amounted to HK\$167,007,394 (2002: HK\$167,007,394).

Exercise in full of the rights attached to the 2008 warrants still outstanding at the balance sheet date would, under the present capital structure of the Company, result in the issue of 121,019,850 (2002: 121,019,850) additional shares of HK\$0.1 each.

Notes To The Financial Statements

For the year ended 31st December, 2003

38. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE COMPANY						
At 1st January, 2002	155,588	4,451	190,081	51,125	1,730,047	2,131,292
Net loss for the year	—	—	—	—	(954)	(954)
Dividend paid	—	—	—	(51,125)	—	(51,125)
At 31st December, 2002	155,588	4,451	190,081	—	1,729,093	2,079,213
Net loss for the year	—	—	—	—	(2,710)	(2,710)
Dividend proposed	—	—	—	30,675	(30,675)	—
Dividend paid	—	—	—	—	(20,450)	(20,450)
At 31st December, 2003	155,588	4,451	190,081	30,675	1,675,258	2,056,053

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for their acquisition at the time of the group reorganisation.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2003 HK\$'000	2002 HK\$'000
Contributed surplus	190,081	190,081
Accumulated profits	1,675,258	1,729,093
Dividend reserve	30,675	—
	1,896,014	1,919,174

Notes To The Financial Statements

For the year ended 31st December, 2003

39. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

The Group

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation on properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2002				
— as previously reported	—	—	—	—
— adjustment on adoption of SSAP 12 (Revised)	102,690	13,387	(96,987)	19,090
— as restated	102,690	13,387	(96,987)	19,090
Exchange adjustments	27,407	—	(27,407)	—
Charge to income for the year	16,413	—	(14,580)	1,833
Charge to equity for the year	—	1,913	—	1,913
At 31st December, 2002	146,510	15,300	(138,974)	22,836
Exchange adjustments	24,022	—	(24,022)	—
(Credit) charge to income for the year	(75,858)	—	77,959	2,101
Effect of change in tax rate				
— charge (credit) to income	691	—	(46)	645
Charge to equity for the year	—	2,582	—	2,582
At 31st December, 2003	95,365	17,882	(85,083)	28,164

For the purposes of balance sheet presentation, deferred tax assets and liabilities above have been offset in accordance with the conditions set out in SSAP 12 (Revised) and shown under non-current liabilities.

At the balance sheet date, the Group has unused tax losses of HK\$1,002,738,000 (2002: HK\$1,192,141,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$261,521,000 (2002: HK\$447,737,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$741,217,000 (2002: HK\$744,404,000) due to the unpredictability of future profit streams.

At the balance sheet date, the Group has deductible temporary differences of HK\$175,328,000 (2002: HK\$252,045,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the balance sheet date, the Company has unused tax losses of HK\$17,499,000 (2002: HK\$13,630,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

40. MINORITY INTERESTS

Included in minority interests are amounts due to minority shareholders amounting to HK\$89,316,000 (2002: HK\$135,209,000).

Notes To The Financial Statements

For the year ended 31st December, 2003

41. PURCHASES OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
NET ASSETS ACQUIRED		
Debtors, deposits and prepayments	—	2,007
Bank balances and cash	—	33,318
Creditors, deposits and accrued charges	—	(2,263)
Minority interests	—	(10,486)
	—	22,576
Carrying value of other investments/associates prior to becoming subsidiaries on acquisition	—	(17,602)
Goodwill arising from acquisition of subsidiaries	—	(4,974)
	—	—
Satisfied by:		
Cash consideration	—	—

Analysis of the net inflow of cash and cash equivalents in respect of the purchase of subsidiaries:

	2003 HK\$'000	2002 HK\$'000
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries:		
Cash and cash equivalents acquired	—	33,318

The subsidiary acquired in 2002 had no significant contribution to the Group's cash flows, turnover or loss from operations for the year.

42. DISPOSAL OF A SUBSIDIARY

	2003 HK\$'000	2002 HK\$'000
NET LIABILITIES DISPOSED OF		
Debtors, deposits and prepayments	—	766
Bank balances and cash	—	4,584
Creditors, deposits received and accrued charges	—	(1,058)
Preference convertible promissory note	—	(7,800)
Minority interests	—	1,121
	—	(2,387)
Gain on disposal of a subsidiary	—	3,745
	—	1,358
Satisfied by:		
Other investments	—	1,358

Notes To The Financial Statements

For the year ended 31st December, 2003

42. DISPOSAL OF A SUBSIDIARY (continued)

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2003 HK\$'000	2002 HK\$'000
Cash and cash equivalent disposed of	—	4,584

The subsidiary disposed of during 2002 had no significant contribution to the Group's cash flows, turnover or loss from operations for that year.

43. MAJOR NON-CASH TRANSACTIONS

During the prior year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$733,000. The Group did not enter into finance lease arrangements during the current year.

44. CAPITAL COMMITMENTS

At the balance sheet date, the Group had capital commitments in respect of expenditure to be incurred on properties as follows:

	2003 HK\$'000	2002 HK\$'000
Authorised but not contracted for		
Hong Kong	73,380	318,060
PRC	438,000	354,000
New Zealand and Australia	—	1,945
	511,380	674,005
Contracted for but not provided for in the financial statements		
Hong Kong	281,558	55,359
PRC	3,000	73,000
New Zealand and Australia	2,083	51,345
	286,641	179,704

The Company did not have any capital commitments at the balance sheet date.

Notes To The Financial Statements

For the year ended 31st December, 2003

45. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31st December, 2003, the Group had commitments for future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due as follow:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	5,874	5,915
In the second to fifth year inclusive	21,462	18,695
Over five years	50,796	47,097
	78,132	71,707

Leases are negotiated for the range of 1 to 14 years (2002: 3 to 15 years) with fixed monthly rentals.

The Group as lessor

Certain of the Group's properties held for rental purposes, with a carrying amount of approximately HK\$2,133 million (2002: HK\$713 million), have been disposed of during the year. The remaining properties are expected to generate rental yields of 6% on an ongoing basis. All of the properties held have committed tenants for the range of 1 to 6 years (2002: 3 to 7 years).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	221,541	353,042
In the second to fifth year inclusive	585,199	870,494
Over five years	117,735	371,528
	924,475	1,595,064

In addition, one of the leases entered with tenants is subject to additional rental based on specified percentage of revenue recognised by the tenant in accordance with lease agreement over the annual minimum lease payments.

The Company did not have any non-cancellable operating lease commitments or lease arrangements at the balance sheet date.

46. CONTINGENT LIABILITIES

At 31st December, 2003, the Group acted as guarantor for the repayment of the bank loans granted to purchasers of the Group's properties under development for sale amounting to HK\$1,128,000 (2002: HK\$57,739,000). The guarantee will be released upon completion of the construction of the properties and the relevant property ownership certificate being issued by the relevant authority.

In addition, the Group has given guarantees to purchasers of the disposed investment properties that, for a maximum period of 36 months from the date of disposal of the properties, certain areas of the properties will receive an agreed minimum monthly rent until leased. A provision of HK\$48,940,000 has been made at the time of disposal of the properties as set out in note 32.

Notes To The Financial Statements

For the year ended 31st December, 2003

46. CONTINGENT LIABILITIES (continued)

At 31st December, 2003, the Company and a minority shareholder of a subsidiary agreed to provide funding to cover any overrun and any pre-completion expenses and to undertake completion of a property development project in order to secure a banking facility granted to a subsidiary. Other than this, the Company did not have any significant contingent liabilities.

47. PLEDGE OF ASSETS

At 31st December, 2003, the Group had the following mortgages and/or pledges over its assets to secure banking facilities and other loans granted to the Group.

- (a) Fixed and floating charges on investment properties with an aggregate book value of HK\$3,644,483,000 (2002: HK\$4,383,298,000).
- (b) Properties held for sale with an aggregate book value of HK\$529,213,000 (2002: HK\$346,062,000).
- (c) Properties under development held for investment with an aggregate book value of HK\$106,015,000 (2002: nil).
- (d) Bank deposits of HK\$69,655,000 (2002: HK\$157,744,000).
- (e) Listed shares of a subsidiary principally comprised of investment properties including in (a) above.
- (f) Unlisted shares of certain subsidiaries with assets principally comprised of investment properties and properties under development held for investment including in (a) and (c) above.

48. SHARE OPTION SCHEME

The Company operates an employee share option scheme (the "Scheme") for the primary purpose of providing incentive to directors and eligible employee. The original scheme was approved and adopted on 30th June, 1990. A new scheme was approved and adopted on 23rd June, 2000, which will be effective until 29th June, 2010. At 31st December, 2003, the number of shares in respect of which options had been granted and remained outstanding under the original and new Scheme was 2,200,000 and 28,000,000, representing approximately 0.4% and 5.5% respectively of the shares of the Company in issue at that date.

Under the Scheme, the board of directors of the Company may offer to any director or full time employee/chief executive of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares, and the average of the closing prices of shares on the Stock Exchange on each of the five business days immediately preceding the date of the grant of the options and the minimum price as the Stock Exchange may from time to time prescribe, subject to a maximum of 10% or such other percentage limit as the Stock Exchange may from time to time prescribe, of the issued share capital of the Company. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the share of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant or such period as the directors determine, upon payment of HK\$10 per each grant of options. Options may be exercised at any time after the date of grant to the tenth anniversary of the date of grant.

Notes To The Financial Statements

For the year ended 31st December, 2003

48. SHARE OPTION SCHEME (continued)

The following table discloses details of the Company's share options held by employees and movements on such holdings during the year:

For the year ended 31st December, 2003

Date of grant	Exercisable period	Exercise price (HK\$)	Number of share options		
			Outstanding at 1.1.2003	Expired during the year	Outstanding at 31.12.2003
Directors					
18.11.1993	18.11.1993 — 17.11.2003	2.78	3,500,000	(3,500,000)	—
21.2.1994	21.2.1994 — 20.2.2004	4.40	2,200,000	—	2,200,000
4.12.2000	4.12.2000 — 3.12.2010	1.44	28,000,000	—	28,000,000
			33,700,000	(3,500,000)	30,200,000
Employees					
18.11.1993	18.11.1993 — 17.11.2003	2.78	10,000,000	(10,000,000)	—
			43,700,000	(13,500,000)	30,200,000

For the year ended 31st December, 2002

Date of grant	Exercisable period	Exercise price (HK\$)	Number of share options		
			Outstanding at 1.1.2002	Expired during the year	Outstanding at 31.12.2002
Directors					
11.8.1992	18.11.1992 — 10.8.2002	1.85	21,000,000	(21,000,000)	—
18.11.1993	18.11.1993 — 17.11.2003	2.78	3,500,000	—	3,500,000
21.2.1994	21.2.1994 — 20.2.2004	4.40	2,200,000	—	2,200,000
4.12.2000	4.12.2000 — 3.12.2010	1.44	28,000,000	—	28,000,000
			54,700,000	(21,000,000)	33,700,000
Employees					
18.11.1993	18.11.1993 — 17.11.2003	2.78	10,000,000	—	10,000,000
			64,700,000	(21,000,000)	43,700,000

No options were granted or exercised during the year.

49. RETIREMENT BENEFITS PLANS

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000 for eligible employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Schemes prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

Notes To The Financial Statements

For the year ended 31st December, 2003

49. RETIREMENT BENEFITS PLANS *(continued)*

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee's basic salary, depending on the length of service with the Group.

For members of the MPF Scheme, the Group contributes 5% to 15% of relevant payroll costs or HK\$1,000 per month to the Scheme which contribution is matched by the employee, depending on the length of service with the Group.

The Group also operates a defined contribution plan (the "Plan") for eligible employees in the United States of America ("USA"). All employees in USA are eligible to participate in the Plan. Participants may contribute a percentage of compensation up to the maximum permitted by the relevant rules in USA. The Group may make discretionary matching contributions.

The employees of the Group's subsidiaries in the PRC and Australia are members of state-managed retirement benefit schemes operated by the government of the PRC and Australia respectively. The subsidiaries are required to contribute 9% to 20% of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

Forfeited contributions for the year amounting to HK\$857,000 (2002: HK\$119,000) has been used to reduce the level of contributions. The total cost charged to income of HK\$2,619,000 (2002: HK\$2,851,000) represents contribution payable to these schemes by the Group in respect of the current year.