SEA HOLDINGS LIMITED

爪哇控股有限公司

ANNUAL REPORT 2005 年報

(Stock Code 股票代號：251)

Directory

DIRECTORS

Executive Directors
Lu Wing Chi, *Chairman and Managing Director*
Lincoln Lu
Lambert Lu
Lu Wing Yuk, Andrew
Tse Man Bun

Non-executive Director
Lam Sing Tai

Independent Non-executive Directors
Walujo Santoso, Wally
Leung Hok Lim
Chung Pui Lam

SECRETARY & QUALIFIED ACCOUNTANT

Chan Ka Wing

SOLICITORS

Stephenson Harwood & Lo

AUDITORS

Deloitte Touche Tohmatsu

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
Dah Sing 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
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

251

WARRANT CODE

920

WEBSITE

www.seaholdings.com

Contents

CHINA

1. New Century Plaza, Chengdu City, Sichuan
2. Plaza Central, Chengdu City, Sichuan
3. Phase II, Westmin Plaza, Guangzhou, Guangdong

HONG KONG

4. 6-20 Leighton Road, Causeway Bay
5. 97 Po Kong Village Road, Diamond Hill
6. Royal Green, Sheung Shui
7. Dah Sing Financial Centre, Wanchai

NEW ZEALAND

8. Viaduct I Land, Auckland
9. Clearwater Golf Resort, Christchurch

AUSTRALIA

10. Lizard Island Resort

Financial Highlights

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31st December				
	2001 (restated) HK$'m	2002 (restated) HK$'m	2003 HK$'m	2004 HK$'m	**2005 HK$'m**
Turnover	602.4	741.5	592.9	474.7	**940.2**
Profit (loss) before minority interests	68.2	(327.2)	297.8	143.6	**1,149.1**
Minority interests	(34.1)	124.6	(110.6)	(23.1)	**(76.8)**
Net profit (loss) for the year attributable to equity holders of the Company	34.1	(202.6)	187.2	120.5	**1,072.3**

ASSETS AND LIABILITIES

	At 31st December				
	2001 (restated) HK$'m	2002 (restated) HK$'m	2003 (restated) HK$'m	2004 HK$'m	**2005 HK$'m**
Total assets	8,096.3	7,250.0	6,881.5	7,747.7	**8,701.1**
Total liabilities	(4,254.5)	(3,363.1)	(3,329.8)	(3,854.18)	**(3,586.0)**
Minority interests	(1,235.9)	(1,446.7)	(875.0)	(821.45)	**(760.7)**
Shareholders' funds	2,605.9	2,440.2	2,676.7	3,072.10	**4,354.4**

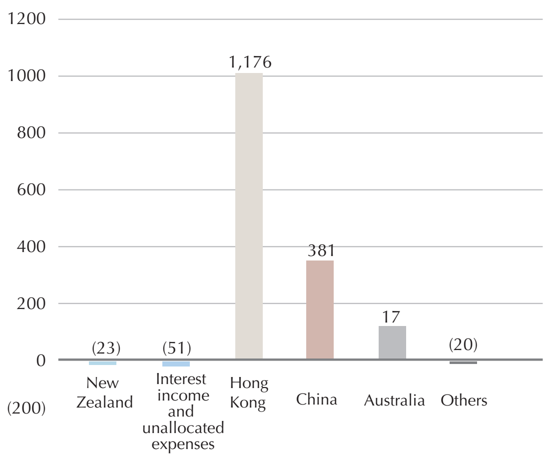
PERFORMANCE DATA

Earnings (Loss) per share *(HK$)*	0.07	(0.39)	0.37	0.24	**2.05**
Dividends declared per share *(HK$)*	0.16	0.00	0.10	0.10	**0.10**

Profit/Loss from Operations

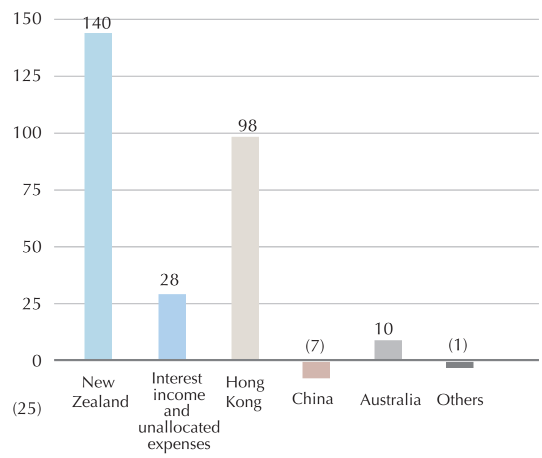
2005

HK$ million



2004

HK$ million

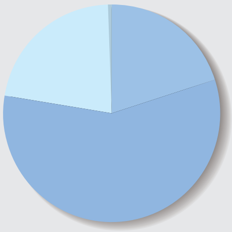


Financial Highlights

Turnover by Geographical Segments

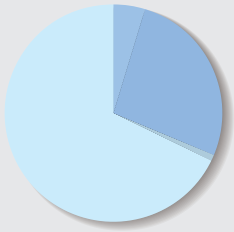
2005

- Australia 20.0%
- Hong Kong 57.6%
- New Zealand 22.1%
- China 0.3%



2004

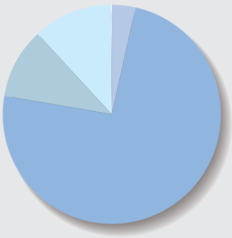
- Australia 4.7%
- Hong Kong 26.6%
- New Zealand 67.8%
- China 0.9%



Total Assets by Geographical Segments

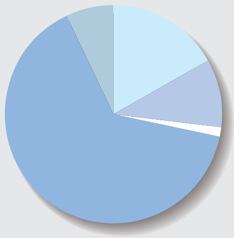
2005

- Australia 3.5%
- Hong Kong 74.2%
- New Zealand 10.4%
- China 11.8%
- Other 0.1%



2004

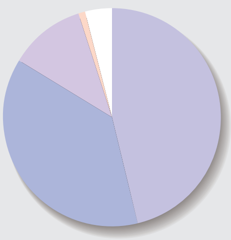
- Australia 10.1%
- Hong Kong 64.6%
- New Zealand 16.8%
- China 7.1%
- Other 1.4%



Total Assets by Nature

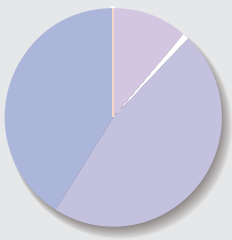
2005

- Property Investment 46.2%
- Property Development 37.5%
- Cash 11.3%
- Investment 1.0%
- Other 4.0%



2004

- Property Investment 46.8%
- Property Development 41.0%
- Cash 11.2%
- Investment 0.1%
- Other 0.9%



Property Portfolio

Particulars of Major Investment Properties:

Name	Location	Lease Expiry	Usage	Attributable Gross Floor Area (sq.m.)	Group's Interest
Hong Kong					
Dah Sing Financial Centre	108 Gloucester Road, Wanchai.	30th June, 2047	Commercial	37,171 and 154 carparks	100.00%
9 Queen's Road Central	28/F., 9 Queen's Road Central	15th November, 2854	Commercial	1,279	100.00%
Shop No.22, Excelsior Plaza	Ground Floor, No.24 East Point Road, Causeway Bay	23rd June, 2841/ 23rd December, 2863	Retail	39	66.26%
The People's Republic of China					
Plaza Central	8 Shuncheng Dajie Chengdu, Sichuan	6th October, 2063	Commercial/ Office	91,511	97.00%
New Zealand					
Chancery Carpark	Kitchener St., Auckland	1st March, 2016	Carpark	50 carparks	66.26%
Clearwater Clubhouse	Harewood, Christchurch	21st March, 2101	Commercial	644	22.59%
Clearwater Unit 4	Harewood, Christchurch	Freehold	Commercial	558	22.59%

Particulars of Major Properties Under Development:

Name of Project	Location	Stage of Completion	Estimated Completion Date	Usage	Attributable Gross Floor Area (sq.m.)	Group's Interest
Hong Kong						
Leighton Road	6-20 Leighton Road, Causeway Bay	Project design work in progress	1st quarter 2008	Hotel	13,258	100.00%

Property Portfolio

Particulars of Major Properties Under Development for Sale:

Name of Project	Location	Stage of Completion	Estimated Completion Date	Usage	Attributable Gross Floor Area (sq.m.)	Group's Interest
Hong Kong						
Royal Green	Fanling Sheung Shui Town Lot No. 189, New Territories	Superstructure work in progress	Phase II – 3rd quarter 2006	Residential	15,362	55.00%
No.223-227 Wan Chai Road	No.223-227 Wan Chai Road	Foundation work in progress	2nd quarter 2007	Residential/ Commercial	3,732	66.26%
97 Po Kong Village Road	97 Po Kong Village Road, Diamond Hill, Kowloon	Foundation work in progress	4th quarter 2007	Residential/ Commercial	18,825	66.26%
Sha Tin Lot No. 75 & 744RP	Sha Tin Lot No. 75 & 744RP, Fo Tan Industrial Zone	Planning stage	Beyond 2009	Residential/ Commercial	91,506	66.26%
The People's Republic of China						
Westmin Plaza Phase II	48-58 Zhong Shan Road 7, Li Wan District, Guangzhou, Guangdong	Superstructure work in progress	End 2006	Residential/ Commercial/ Office	118,211	100.00%
New Zealand						
Clearwater Resort	Harewood, Christchurch	Planning stage	Beyond 2009	Commercial	15,851	22.59%
Clearwater Resort	Harewood, Christchurch	Planning stage	Beyond 2009	Residential	290,780	22.59%

Chairman's Statement

OVERVIEW

Following its previously agreed strategy, the Group continued to dispose off those remaining properties which were perceived to have little growth potential, and continued to seek other investment opportunities to replenish its property portfolio.

During the year under review, the Group launched the sale of Royal Green, a Sheung Shui residential development in which the Group has a 55% interest. The development works of several other property projects in Hong Kong and Mainland China are progressing on schedule.

RESULTS

The Group's audited consolidated profit attributable to the equity holders of the Company for the financial year ended 31st December, 2005 was HK$1,072.3 million which, compared to HK$120.5 million in the previous year, represented an increase of 789.9%. The increase in profit was principally due to the recognition of the sales of Royal Green units, the net surplus from revaluation of investment properties in compliance with the new Hong Kong Financial Reporting Standards ("HKFRSs"), and net savings in finance costs resulted from disposals of properties in New Zealand. The savings in finance costs, however, was off-set by a reduction in rental income and loss on disposals of properties in New Zealand.

DIVIDEND

The Board recommended the payment of a final dividend of HK6 cents per share for the year ended 31st December, 2005 payable on Thursday, 25th May, 2006 to the shareholders of the Company whose names appear on the Register of Members on Thursday, 18th May, 2006. Together with the interim dividend of HK4 cents per share paid on 17th October, 2005, the total dividend for the year is HK10 cents per share. An interim dividend and a final dividend of HK4 cents and HK6 cents per share respectively were paid in the preceding year. Total dividends payable are HK$54,556,000 which will be increased by HK$6,522,000 as a result of additional ordinary shares issued upon the exercise of all the outstanding warrants and share option subscription rights.

BUSINESS REVIEW

Property Investments and Developments

Hong Kong

With a rebound of the economy in Hong Kong and general improvement in business confidence, the Group's gross rental income generated from Dah Sing Financial Centre increased by 5.8% during the year to HK$61.8 million, with occupancy rate also improving to 86.1%. Facing with a limited supply of 'Grade A' office premises on the Hong Kong Island in the coming few years, the Group expects a better rental return from lease renewals and new leases negotiated.

In May 2005, the Group launched the sale of Royal Green Phase I, a joint development project with Henderson Land in Sheung Shui, which consists of 3 towers with a total of 922 residential units. Turnover recognized for the project during the year was HK$431.7 million and the net profit derived from the project amounted to HK$191.0 million. As at the date of this Report, about 54% of total units were sold. Sale of the remaining units of the project will soon take place.

Royal Green

The Hotel Development Plan at 6-20 Leighton Road has been approved by the Town Planning Board ("TPB"). Foundation works are in progress and construction of the whole project is expected to be completed by early 2008.

The Group through its 81.74% owned subsidiary, Asian Growth Properties Limited ("AGP"), which was listed on the Alternative Investment Market ("AIM") of the London Stock Exchange on 16th January, 2006, holds the following property development and investment projects:

1) A site at 223-227 Wanchai Road is being developed for a 22-storey composite residential and retail building. Foundation works are in progress and the development is scheduled for completion by mid 2007.

   Subsequent to the year end, the Group has completed the purchase of the adjoining site, which will allow additional four floors to be added to the existing development. Foundation works completed to-date have taken into account this extension. Pre-sale of the residential units will be ready by mid 2006.

223-227 Wanchai Road

2) 97 Po Kong Village Road, Diamond Hill, a 2,300 sq. m. site, is being developed into a 48-storey residential and commercial composite building with a total gross floor area of approximately 202,600 sq. ft. Foundation works have been completed and contract for super-structure works has been awarded. Target completion date of the property is scheduled in the fourth quarter of 2007. Pre-sale of the units is planned to be launched in the second half of this year.

97 Po Kong Village Road

3) Project at Fo Tan, Sha Tin is yet to start. An amended master layout plan has been submitted to the TPB and approval is awaited. Management is of the view that development of this 20,100 sq. m. site would not commence till early 2008. Currently, the property is being leased out as a logistic centre.

4) The Group also holds a retail shop in Causeway Bay for investment purpose. Rental income from the shop is considered acceptable.

Chairman's Statement

Westmin Plaza Phase II

Plaza Central

China

Guangzhou

The Westmin Plaza Phase II project, which has a total construction floor area of 118,000 sq. m., comprising four residential blocks and one office block on top of a commercial podium, is expected to be completed by end of 2006 and pre-sale of the residential units will soon be launched.

Chengdu

The construction of Plaza Central, which has a total construction floor area of 91,500 sq. m. comprising two 29-storey office blocks on top of a six-level retail podium, was completed. Leasing work for the retail and office space has already commenced. At the same time, upgrading works are being undertaken to enhance the value of the property, which will be completed by mid 2006.

Australia and New Zealand

The 2005 financial year was a significant consolidation year for our 66.26% owned subsidiary, Trans Tasman Properties Limited ("TTP"), following the Group's series of restructuring exercise taken place in the past few years.

TTP recorded a net surplus of NZ$4.3 million for the year ended 31st December, 2005, which compared to NZ$30.7 million for the previous year, showed a drop of 86.0%. The decline in earnings reflected the timing to completion of current development properties and projects, most of which are in progress rather than nearing completion. Shareholders' equity increased from NZ$382.5 million to NZ$394.1 million as at 31st December, 2005, with reported net asset value per share increasing from NZ 64.3 cents to NZ 67.9 cents.

In order to execute the strategic plan of a greater emphasis on property development segment, TTP made the following significant transactions during the year:

1. sale of EDS House, Wellington;
2. sale of the Air New Zealand head office development in Auckland;
3. sale of the remaining two Airpark 1 sites in Auckland;
4. sale of a further 10% of the strata units at 65 York Street, Sydney;
5. settlement of Qantas House and Finance Centre, Auckland;
6. purchase of a controlling interest in a 125 hectare development property at Woodend, Christchurch;
7. purchase of a further development site at 120 Halsey Street, Viaduct, Auckland;

8. conditional purchase of a 27.2 hectare development site in Christchurch; and
9. off-market non pro-rata buyback of 14.3 million TTP shares at NZ 40.0 cents

and subsequent to the year end:

1. completion of the sale of 97.5% of its investment in AGP by an off-market pro-rata share buyback and the subsequent cancellation of 424,297,954 TTP shares;
2. conditional sale of its development properties known as Viaduct 1 and Viaduct 2 in Auckland; and
3. conditional purchase of a fourth contiguous development site in Packenham Street, Auckland.

Garment Operation

Turnover generated from the garment business for the year amounted to HK$31.3 million, which, compared to HK$57.0 million in 2004, represented a drop of 45.2%. The operation reported a slight loss of HK$1.2 million as compared to a profit of HK$12.6 million in 2004. The significant drop in turnover and the resultant loss were substantially due to the absence of quota income after the abolition of quota system as from 1st January, 2005, and management's election to take a conservative approach in accepting orders when facing the risk of possible import safe-guard measures taken by the United States and Europe (which did take place). Pricing pressure is expected to continue. Business outlook for this small garment operation this year is more positive and management will exercise tighter control on costs to improve profit margin and strengthen competitiveness.

SUCCESSFUL LISTING OF AGP ON AIM

The Board is pleased to report that AGP was successfully listed on the AIM in London on 16th January, 2006. The Group made cash offer to purchase any AGP shares exchanged by the TTP public shareholders for the first five trading days of AGP's listing. As a result of this offer, the Group's interest in AGP increased to 81.74% as at the date of this Report.

CORPORATE CHANGES IN TTP

During the year, the Group continued to acquire shares in TTP from the market and increased its interest in TTP from 61.31% to 66.26% as at 31st December, 2005. As the acquisition cost was below the net asset value of the shares acquired, a discount on acquisition of HK$36.8 million had resulted, which was immediately recognized in the income statement.

Subsequent to the year end, following the pro-rata buyback of TTP shares in exchange for AGP shares and the subsequent cancellation of TTP shares, the Group therefore reduced its interest in TTP to 52.25% as at the date of this Report.

FINANCIAL REVIEW

Turnover for the year ended 31st December, 2005 amounted to HK$940.1 million (2004: HK$474.7 million), a 98.1% increase over the last year. The increase was mainly due to the following:

1. the sales proceeds recognized from the development project of Royal Green in Sheung Shui amounted to HK$431.7 million (2004: Nil); and

2. the sales proceeds recognized from the disposals of various properties in New Zealand and Australia amounted to HK$336.0 million (2004: HK$196.4 million).

However, the increase in turnover was partially offset by the rental income forgone, amounted to HK$88.7 million, after the disposal of various investment properties in New Zealand and Australia.

Net profit for the year amounted to HK$1,149.1 million (2004: HK$143.6 million), representing a 700.2% increase compared with last year. The profit attributable to equity holders of the Company amounted to HK$1,072.3 million (2004: HK$120.5 million), a 789.9% increase over last year. The favourable variances were mainly due to the following:

1. the net profit derived from the Royal Green project amounted to HK$191.0 million (2004: Nil); and

2. a gain arising from the change in fair value of investment properties after deferred tax amounted to HK$1,010.5 million (2004: Nil).

However, the net profit was partially offset by:

- the decrease in net rental income after the settlement of investment properties in New Zealand and Australia amounted to HK$87.2 million.

- the increase in minority interest for the Royal Green project amounted to HK$86.0 million.

- the impairment loss recognized for the properties in Indonesia and New Zealand amounted to HK$36.2 million.

For the purpose of preparing the financial statements for the year under review, the Group has adopted the new HKFRSs, including all the Hong Kong Accounting Standards and relevant interpretations, which took effect on 1st January, 2005. The resulting significant changes in accounting treatment and presentation are detailed in Note 2 of Notes to the Consolidated Financial Statements.

In compliance with the new HKFRSs, the Group revalued its investment properties as at 31st December, 2005 and accounted for a net attributable surplus of HK$1,010.5 million, representing revaluation surplus of HK$1,251.1 million less related deferred tax of HK$240.6 million, in its profit and loss account for the year under review. Excluding this revaluation net surplus from the results, the Group's net profit for the year would be HK$138.6 million, a decrease of HK$5.0 million or 3.5% over last year.

Net Asset Value

The Group's total assets increased by HK$953.3 million, as at 31st December, 2005, as a result of the change in fair value of its investment properties and the sale of various investment and development properties in New Zealand and Hong Kong. The Group's total borrowings decreased by HK$767.3 million, as at 31st December, 2005, after repayment of bank loans by the TTP Group on its sold properties.

As at 31st December, 2005, the Group's total net assets attributable to equity holders of the Company amounted to approximately HK$4,354.4 million. With a total number of ordinary shares in issue of 548,443,165 as at 31st December, 2005, the net asset value per share to equity holders of the Company was HK$7.94. By taking into consideration the potential dilutive effect of outstanding warrants and share options, the total number of ordinary shares in issue will be increased to 660,266,718 and the net asset value per share to equity holders of the Company would become HK$6.59.

FINANCIAL RESOURCES AND LIQUIDITY

Shareholders' Equity

As at 31st December, 2005, the Group's equity attributable to equity holders of the Company amounted to HK$4,354.4 million (31st December, 2004: HK$3,072.1 million), an increase of 41.7%, which was mainly due to the profit retained for the year of HK$1,072.3 million, the prior year adjustment on reclassification of negative goodwill to retained earnings of HK$225.2 million, increase in share capital and premium of HK$51.4 million, and dividends paid of HK$52.2 million.

Working Capital and Loan Facilities

As at 31st December, 2005, the Group's cash balance was HK$979.1 million (31st December, 2004: HK$871.2 million) and unutilized facilities, HK$1,412.2 million (31st December, 2004: HK$1,383.8 million). Its current (working capital) ratio improved from 1.84 as at 31st December, 2004 to 2.59 as at 31st December, 2005. The improvement was mainly due to the repayment of loans after the disposals of properties in New Zealand and Australia, and the sales of units in the Royal Green project.

Pledge of Assets

Bank borrowings of the New Zealand group, including TTP and its Australia subsidiary, Australia Growth Properties Limited, are denominated in NZD and AUD respectively. As at 31st December, 2005, the New Zealand group's total bank loans drawn were HK$834.4 million, which were secured mainly by properties valued at HK$1,498.0 million.

For the Group's subsidiaries operating in Indonesia, borrowings are in IDR currency. As at 31st December, 2005, the Indonesian group's total bank loans drawn amounted to HK$53.3 million. The loans were secured mainly by pledged fixed deposits of HK$44.5 million.

For the Group's subsidiaries operating in Hong Kong and Mainland China, borrowings as at 31st December, 2005 amounted to HK$1,542.0 million, which were secured by properties valued at HK$4,783.0 million.

Refinancing and Gearing

Major credit facilities have been renewed on a medium and long-term basis which should provide the Group with the capacity and flexibility to seize and undertake any investment and development opportunities consistent with its strategy of remaining a long-term player in the property industry.

Gearing ratio as at 31st December, 2005, calculated on the basis of net interest bearing debt minus cash as a percentage of total property assets, reduced from 34.1% to 19.9%. The improvement was mainly due to the significant repayment of loans after the disposals of properties in New Zealand and Australia, and the increase in the value of investment properties as a result of implementation of the new HKFRSs.

Loan maturity profile

As at 31st December, 2005, maturities of the Group's outstanding borrowings were as follows:

	31st December, 2005	31st December, 2004
	HK$' million	*HK$' million*
Due within 1 year	**917.7**	1,432.1
1-2 years	**608.6**	253.4
3-5 years	**254.3**	736.9
Over 5 years	**649.4**	774.9
	2,430.0	3,197.3

Chairman's Statement

Treasury policies

The Group adheres to prudent treasury policies. As at 31st December, 2005, about 97% of the Group's borrowings were raised through its wholly-owned or substantially controlled subsidiaries. Its borrowings are principally based on floating rate terms but for loans of sizeable amount, interest rate hedging mechanisms have been arranged to safeguard against any interest rate volatility. The use of hedging instruments including swaps and forwards are strictly controlled and solely for management of the Group's interest rate and currency exposures in connection with its borrowings.

Management and Staff

The Group had 217 employees at 31st December, 2005 compared with 200 in the previous year. 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 Board wishes to thank the management and staff for their commitment, contribution and dedication, and the customers and tenants for their continuous support to the Group.

OUTLOOK

Although the prime rate has increased by 3% to 8% p.a. since commencement of the interest rate hike in March 2005, management is optimistic about the residential market in Hong Kong. With an improved job market, a steady rise in income, the increasing number of marriages and new births, the demand for quality housing is anticipated. It is more conclusive by the Government's recent release that the supply of new residential units is expected to remain low for the next few years.

In view of the stable economic growth of Hong Kong and the continued influx of companies from Mainland China and overseas, the demand for office space is expected to be strong. Furthermore, with a limited supply of quality new office space for the coming years, office rental is expected to rise further in 2006, which would no doubt enhance the Group's rental income.

In China, the Group's investments in both Guangzhou and Chengdu projects are beginning to bear fruit. Pre-sale of the residential units and leasing of the retail shops and office space are being actively promoted. Rewarding contribution from these projects is expected.

The Group will continue to look for investment opportunities within the greater Asia region. Currently, the management is closely monitoring the progress of the development projects to ensure the quality of these projects is of high standard and their completion on time. The successful listing of AGP on AIM demonstrates the management's positive outlook on the Asian property market, especially Hong Kong and Mainland China.

Lu Wing Chi
Chairman and Managing Director

Hong Kong, 7th April, 2006

Directors' Biographical Information

EXECUTIVE DIRECTORS

Mr. Lu Wing Chi, aged 59, joined the Group in 1969 and is the Chairman and Managing Director of the Company. Mr. Lu has over 37 years of experience in property developments and investments in Hong Kong and overseas. He is the son of Mr. Lu Chu Mang, the founder of the Company, and the father of Mr. Lincoln Lu and Mr. Lambert Lu.

Mr. Lincoln Lu, aged 31, joined the Group in 1998 and was appointed an Executive Director of the Company in 2003. 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. He is a son of Mr. Lu Wing Chi and the elder brother of Mr. Lambert Lu.

Mr. Lambert Lu, aged 29, joined the Group in 1999 and was appointed an Executive Director of the Company in 2003. Mr. Lu holds a Bachelor of Science degree from the University of British Columbia and is in charge of the finance and investment matters of the Group. He is a son of Mr. Lu Wing Chi and the younger brother of Mr. Lincoln Lu.

Mr. Lu Wing Yuk, Andrew, aged 59, joined the Group and has 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 35 years of experience in the textile industry and international trading.

Mr. Tse Man Bun, aged 63, joined the Group and has acted as an Executive Director of the Company since 2004. Mr. Tse has over 40 years of experience in the banking and finance industry. Mr. Tse is presently an independent non-executive director of HSBC Insurance (Asia) Limited, China Fishery Group Limited, Tysan Holdings Limited and Crystal International Limited.

NON-EXECUTIVE DIRECTOR

Mr. Lam Sing Tai, aged 59, joined South-East Asia Investment and Agency Company, Limited ("SEAI"), a subsidiary of the Company in 1973 and was appointed a non-executive Director of the Company in early April 2006. Mr. Lam has over 30 years of solid experience in property development and investment. He is currently a Director and the General Manager of SEAI and is primarily responsible for the sales and marketing matters of the Group's properties in Hong Kong and China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Walujo Santoso, Wally, aged 52, has acted as an independent non-executive Director of the Company since 1994 and is also the Managing Director of Grand Ocean (International) Limited. Mr. Santoso holds a Diploma in Accounting and has over 29 years of experience in international trading and manufacturing.

Mr. Leung Hok Lim, *FCPA(Aust.), CPA(Macau), FCPA(Practising),* aged 70, has acted as an independent non-executive Director of the Company since 1999 and is the founding and senior partner of PKF, Certified Public Accountants. Mr. Leung obtained his fellowship with the Hong Kong Institute of Certified Public Accountants (formerly Hong Kong Society of Accountants) in 1973. He is a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited and a number of listed companies.

Mr. Chung Pui Lam, *SBS, OBE, JP,* aged 65, has acted as an independent non-executive director of the Company since 2004 and is a practising solicitor in Hong Kong. Mr. Chung is serving as members on several advisory committees of the Government of the Hong Kong Special Administrative Region. He is also a director of the listed Chow Sang Sang Holdings International Limited and Datronix Holdings Limited.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance practices to protect shareholders' interests and enhance shareholders' value.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31st December, 2005, the Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices (the "CGP Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the deviation from code provision A.2.1, which states that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.

The Company does not propose to comply with code provision A.2.1 for the time being. The Chairman currently oversees the management and the Group's business. The Board considers that the present management structure has been effective in facilitating the operation and development of the Group for a considerable period of time and no benefit will be derived from changing it. The current structure allows flexibility and enhances the efficiency of decision-making process in response to the constantly changing environment where the market sentiment may vary quite significantly in different areas of the Asia Pacific region.

BOARD OF DIRECTORS

Composition

The Board currently comprises the following members:

Executive Directors

Mr. Lu Wing Chi *(Chairman and Managing Director)*
Mr. Lincoln Lu
Mr. Lambert Lu
Mr. Lu Wing Yuk, Andrew
Mr. Tse Man Bun

Non-executive Director

Mr. Lam Sing Tai

Independent Non-executive Directors ("INEDs")

Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim
Mr. Chung Pui Lam

Messrs. Lu Wing Lin and Lu Yong Lee resigned as executive director and non-executive director of the Company respectively both on 30th November, 2005.

The particulars of the existing directors are set out on page 13 under the heading of "Directors' Biographical Information".

Role and Function

The directors are accountable to the shareholders for the activities and performance of the Group. The Board has reserved for its decision and consideration the following matters:

i) adoption and overall oversight of objectives and strategic plans;
ii) amendment to memorandum of association and bye-laws as well as share capital;
iii) approval of interim dividends and recommendation of final dividends for shareholders' approval;
iv) establishment of board committees and delegation of powers of the Board to same;
v) appointment of board members;
vi) approval of significant accounting policies and practices;
vii) oversight of corporate governance and internal controls; and
viii) other significant matters.

Matters other than the above mentioned have been delegated by the Board to the management and the major ones are execution of business strategies and initiatives adopted by the Board, preparation of annual and interim accounts for the Board's approval before public reporting, implementation of adequate systems of internal control and risk management procedures, and compliance with relevant requirements and rules and regulations.

The Board conducts meetings on a regular basis and on an ad hoc basis that are required for significant and important issues. The Board held four regular Board meetings during the year. The Company Secretary attended all regular Board meetings to advise on corporate governance and statutory compliance when necessary and the Group Financial Controller also attended the Board meetings to advise on accounting, financial and internal control matters. All businesses transacted at the Board meetings are well-documented and the records are maintained properly. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments.

Of the directors, Mr. Lu Wing Chi is the father of Messrs. Lincoln Lu and Lambert Lu. Other than that, there is no financial, business, family and other material relationship among other members of the Board. Currently, one-third of the Board members are INEDs. The Board members are free to discuss issues properly put to the Board meetings.

The Company has arranged for appropriate liability insurance for the directors for indemnifying their liabilities arising out of corporate activities.

Non-Executive Directors

During the year, the non-executive directors (including the INEDs) agreed in writing to act in such capacity for a period of up to the expiry of the third annual general meeting notwithstanding any provisions of the bye-laws of the Company.

INEDs

The three INEDs come from diverse business and professional background in the fields of accounting and law, rendering valuable expertise and experience to promote the best interests of the Group and its shareholders as a whole and ensuring that issues are considered in a more objective manner.

The Company has received from each of the INEDs a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all of the INEDs to be independent.

BOARD COMMITTEES

The Board has established Board Committees, namely Audit Committee, Remuneration Committee and Executive Committee to oversee particular aspects of the Company's affairs and assist in the execution of the Board's responsibilities.

Audit Committee

Composition

The Audit Committee was established in 1999 and its terms of reference were revised during 2005 in accordance with the code provisions of the CGP Code. The Audit Committee currently comprises three members who are INEDs, namely:

Mr. Leung Hok Lim *(Chairman)*
Mr. Walujo Santoso, Wally
Mr. Chung Pui Lam

Role and Function

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting and the effectiveness of the audit process in accordance with applicable standards as well as to maintain an appropriate relationship with the external auditors of the Company.

During the year ended 31st December, 2005, the Audit Committee met twice with the representatives of the management and the external auditors of the Company to discuss the auditing, financial reporting and internal control matters. During the meetings, the Audit Committee in particular reviewed and discussed about the accounting principles and policies adopted by the Group, the final results and the financial statements for the year ended 31st December, 2004, the interim results and the financial statements for the six months ended 30th June, 2005, letters of management representation made to the auditors and the internal control system in relation to the tendering, management information and budgeting functions.

Remuneration Committee

Composition

The Company formulated written terms of reference for the Remuneration Committee in accordance with the code provisions of the CGP Code. The Remuneration Committee presently comprises the Chairman of the Company, another executive director and three INEDs. Members of the Remuneration Committee are as follows:–

Mr. Chung Pui Lam *(Chairman)*
Mr. Lu Wing Chi
Mr. Tse Man Bun
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

Role and Function

The Remuneration Committee is responsible for, amongst other matters, establishing a formal and transparent procedure for developing remuneration policies and overseeing the remuneration packages for the executive and non-executive directors and ensuing that no director will be involved in deciding his own remuneration. In determining the directors' emoluments, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, qualifications, experience, time commitment and responsibilities of directors and employment conditions elsewhere in the Group. The Remuneration Committee notes that the Company is operating an employee share option scheme with options granted to the Group's employees (including directors of the Company) on a discretionary basis by the Board.

At the 2005 annual general meeting, the shareholders of the Company approved the authorisation of the directors to fix the directors' fees if the aggregate amount did not exceed HK$1 million per annum. During the year, the Remuneration Committee met once and assessed the performance of the executive directors and reviewed and approved the remuneration of the executive directors and non-executive directors.

Executive Committee

Composition

The Executive Committee was set up in 1990 and is currently comprised of the Chairman of the Company and all other executive directors. The Executive Committee members are as follows:–

Mr. Lu Wing Chi *(Chairman)*
Mr. Lincoln Lu
Mr. Lambert Lu
Mr. Lu Wing Yuk, Andrew
Mr. Tse Man Bun

On 30th November, 2005, Mr. Lu Wing Lin ceased to be a member of the Executive Committee as a result of his resignation as an executive director of the Company.

Role and Function

The Executive Committee is primarily responsible for supervising and undertaking the day-to-day operations of the Group. It exercises leadership and develops and keeps under review business development initiatives of the Group and monitors their implementation. The Executive Committee meets as and when necessary.

ATTENDANCE RECORD AT MEETINGS

Details of the attendance of individual directors at Board meetings, Audit Committee meetings and Remuneration Committee meetings during the year are set out in the following table:–

	Number of meetings attended/ Number of meetings held		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Mr. Lu Wing Chi *(Chairman)*	4/4	–	1/1
Mr. Lincoln Lu	4/4	–	–
Mr. Lambert Lu	4/4	–	–
Mr. Lu Wing Yuk, Andrew	4/4	–	–
Mr. Lu Wing Lin*	0/3	–	–
Mr. Tse Mun Bun	4/4	–	1/1
Non Executive Director			
Mr. Lu Yong Lee*	0/3	–	–
INEDS			
Mr. Walujo Santoso, Wally	2/4	1/2	0/1
Mr. Leung Hok Lim	3/4	2/2	1/1
Mr. Chung Pui Lam	4/4	2/2	1/1

* Resigned as director on 30th November, 2005

NOMINATION, RETIREMENT AND RE-ELECTION OF DIRECTORS

The Board considers the selection and re-appointment of directors. An individual may be appointed as director based on the recommendations of a director or the management. Potential candidates should have the required skills, knowledge and expertise to add value to the Board and be able to commit the necessary time to their position. All directors' appointments shall be approved by the Board and/or the shareholders.

Code provision A.4.2 of the CGP Code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and all directors should be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, any director appointed by the Board to fill a casual vacancy shall hold office only until the next following annual general meeting and one-third of the directors for the time being shall retire by rotation each year. To align the bye-laws with the code provisions of the CGP Code, the Company will propose to amend the bye-laws at the forthcoming annual general meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company.

In response to the specific enquiry made on them, all the directors of the Company confirm that they have complied with the required standard as set out in the Model Code throughout the year ended 31st December, 2005.

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The directors acknowledge their responsibilities for preparing the financial statements of the Group. With the assistance of the Accounts and Finance Department which is under the supervision of the Qualified Accountant of the Company, the directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate accounting standards. The directors also ensure timely publication of the financial statements of the Group.

AUDITORS' REPORTING RESPONSIBILITY

The statement of Messrs. Deloitte Touche Tohmatsu, the external auditors of the Company, about their reporting responsibility on the financial statements of the Group is set out in the "Auditors' Report" on page 32.

GOING CONCERN

The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

During the year, the Board, has through the management and the Audit Committee, conducted a review of the effectiveness of the Group's system of internal control covering financial, operational and compliance controls and risk management functions to safeguard shareholders' investment and the Group's assets.

AUDITORS' REMUNERATION

Fees payable to Messrs. Deloitte Touche Tohmatsu, the external auditors of the Group, for audit services for the year ended 31st December, 2005 amounted to approximately HK$4.3 million.

COMMUNICATION WITH SHAREHOLDERS

The Company has established a number of channels to communicate with shareholders as follows:

i) printed copies of corporate communication such as annual reports, interim reports and circulars are issued;

ii) periodic announcements are made through the Stock Exchange and/or published in newspapers;

iii) corporate information is made available on the Company's website at www.seaholdings.com;

iv) the annual general meeting and special general meetings provide a forum for shareholders to raise comments and exchange views with the directors and senior management; and

v) the Company's share registrars serve the shareholders in respect of share registration and related matters.

Directors' Report

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

During the year, the Company acted as an investment holding company and the activities of its principal subsidiaries were investment holding, property and asset management, garment manufacturing and trading and property investment and development.

Other particulars of the principal subsidiaries of the Company as at 31st December, 2005 are set out in note 50 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 33.

An interim dividend of HK4 cents (2004: HK4 cents) per share amounting to HK$21.4 million (2004: HK$20.5 million) was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK6 cents (2004: HK6 cents) per share to the shareholders whose names appear on the register of members on 18th May 2006, amounting to HK$33.1 million (2004: HK$30.7 million), and the retention of the remaining profit for the year.

The state of affairs of the Group and the Company as at 31st December, 2005 is set out in the consolidated balance sheet on pages 34 and 35 and note 49 to the consolidated financial statements respectively.

SHARE CAPITAL AND WARRANTS

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2005 were as follows:

	2005	2004
	HK$'000	*HK$'000*
Contributed surplus	**190,081**	190,081
Retained profits	**1,592,724**	1,620,791
	1,782,805	1,810,872

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

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) 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.

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2005. The net increase in fair value of investment properties amounting to HK$1,251.1 million has been credited directly to the income statement (In 2004, the net surplus arising on revaluation amounting to HK$345.3 million, of which HK$351.6 million attributable to the Group was credited directly to the investment property revaluation reserve).

Details of this and other movements during the year in the investment properties of the Group are set out in note 17 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, properties under development with a total carrying value amounting to HK$200.0 million and HK$273.1 million were transferred to properties held for sale and investment properties respectively. (In 2004, properties under development with a total carrying value amounting to HK$222.0 million were transferred to properties held for sale, and investment properties with a total carrying value amounting to HK$145.8 million were transferred to properties under development.) Additions of properties under development for the year amounted to HK$102.3 million (2004: HK$128.3 million).

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group held for investment purposes, under development and under development for sale at 31st December, 2005 are set out in the Property Portfolio on pages 4 and 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

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

Executive directors

Mr. Lu Wing Chi *(Chairman and Managing Director)*	
Mr. Lincoln Lu	
Mr. Lambert Lu	
Mr. Lu Wing Yuk, Andrew	
Mr. Lu Wing Lin	(resigned on 30th November, 2005)
Mr. Tse Man Bun	

Non-executive directors

Mr. Lu Yong Lee	(resigned on 30th November, 2005)
Mr. Lam Sing Tai	(appointed on 7th April, 2006)

Independent non-executive directors

Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim
Mr. Chung Pui Lam

In accordance with Bye-law 88 of the Company's Bye-laws, Messrs. Lincoln Lu and Leung Hok Lim will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 95 of the Company's Bye-laws, Mr. Lam Sing Tai will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance (in relation to the Group's business) to which the Company or any of its holding companies or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the share options as more fully described below, at no time during the year was the Company, any of its holding companies or subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the following directors are considered to have interests in business which compete, or might compete, either directly or indirectly, with the business of the Group:

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

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

(iii) Mr. Lu Wing Yuk, Andrew is also the managing director of Kian Nan Trading Company Limited whose businesses include textile manufacturing and trading and he holds shareholdings (on behalf of himself and his associates) and directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate investment and development. In this regard, Mr. Lu is considered to have interests in businesses which compete or might compete, either directly or indirectly, with the businesses of the Group.

(iv) Mr. Tse Man Bun is also an independent non-executive director of HSBC Insurance (Asia) Limited, China Fishery Group Limited, Tysan Holdings Limited and Crystal International Limited. The principal businesses of Tysan Holdings Limited include building construction and property development, investment and management. In this regard, he is considered to have interests in businesses which compete or might compete, either directly or indirectly, with the businesses of the Group. The principal businesses of Crystal International Limited include garment trading and manufacturing. However, having considered the scale of garment business the Group is involved, Mr. Tse is not considered by the Group to have interests in businesses which compete or might compete, either directly or indirectly, with the businesses of the Group. In addition, Mr. Tse and his associates also invest from time to time in real estate investment and development. Again, the scale and nature of such investments do not fit the investment profile of the Group. Hence, Mr. Tse is not considered by the Group to have interests which compete or might compete with the businesses of the Group as a result of such investments.

However, as the board of directors of the Company as a whole is independent of the boards of directors of the above companies or individuals, the Group is capable of carrying on its businesses independently of, and at arm's length from, the said competing businesses.

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 holding companies or subsidiaries were entered into or subsisted during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31st December, 2005, the interests and short positions of the directors and the chief executive 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, Chapter 571 of the Laws of Hong Kong (the "SFO")) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

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

	Number of shares		Number of underlying shares (warrants)		Number of underlying shares (share options)		
Name of directors	Beneficial interests	Interests held by controlled corporation	Beneficial interests	Interests held by controlled corporation	Beneficial interests	Total	% of shares in issue
Lu Wing Chi	–	–	–	–	12,500,000	12,500,000	2.28
Lincoln Lu	618,000	283,281,811	572,717	53,897,812	–	338,370,340 *	61.70
Lambert Lu	610,000	283,281,811	572,717	53,897,812	–	338,362,340 *	61.70
Lu Wing Yuk, Andrew	–	–	–	–	3,000,000	3,000,000	0.55
Tse Man Bun	100,000	–	–	–	–	100,000	0.02

Note: * Of these shares and warrants of the Company, 283,281,811 shares and warrants carrying 53,897,812 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 the SFO. 283,281,811 shares and warrants carrying 51,786,743 underlying shares out of such shares were held by Nan Luen International Limited ("Nan Luen"), which was 63.58% 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 11.95% of the issued shares in JCS directly. JCS was deemed to be a controlled corporation of each of Messrs. Lincoln Lu and Lambert Lu by virtue of the SFO.

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

(a) JCS

Name of directors	Beneficial interests	Interests as discretionary trust beneficiary	Total	% of shares in issue
	Number of shares			
Lu Wing Chi	3,000	12,000[1]	15,000	32.61
Lincoln Lu	5,500	12,000[1]	17,500	38.04
Lambert Lu	5,500	12,000[1]	17,500	38.04

(b) Nan Luen

Name of directors	Interests held by controlled corporation	% of shares in issue
Lincoln Lu	99,480[2]	63.58
Lambert Lu	99,480[2]	63.58

Notes:

1. 12,000 shares in JCS deemed to be interested by Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu represented the same interests and were therefore duplicated amongst these three directors for the purpose of the SFO. Such shares were held by a discretionary trust, of which these three directors were beneficiaries.

2. 99,480 shares in Nan Luen deemed to be interested by Messrs. Lincoln Lu and Lambert Lu represented the same interests and were therefore duplicated amongst these two directors for the purpose of the SFO. Those shares were held by JCS, which was 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 executive in the share options are stated in the section headed "Share Options" below.

Saved as disclosed above, as at 31st December, 2005, none of the directors and chief executive nor 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).

SHARE OPTIONS

Share Options are unlisted and physically settled derivatives to subscribe for shares in the Company.

Old scheme

The Company operates an Employee Share Option Scheme (the "Old Scheme") adopted by an ordinary resolution on 23rd June, 2000, which complies with the Listing Rules as existed prior to 1st September, 2001. The rules governing share options were revised to the form currently set out in Chapter 17 of the Listing Rules on 1st September, 2001. According to the transitional arrangement set out in the Listing Rules, the Company cannot grant further options under the Old Scheme unless the scheme is amended to comply with the new requirements set out in the Listing Rules. The Company has not granted any share options since 1st September, 2001. At the special general meeting held on 19th August, 2005, the Old Scheme was terminated.

New scheme

The Company adopted a New Employee Share Option Scheme (the "New Scheme") which was in compliance with the new requirements set out in the Listing Rules at the special general meeting held on 19th August, 2005 (the "Approval Date").

A summary of the principal terms of the New Scheme is set out below:–

1. Purpose

(a) The New Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions which the Participants (as defined in paragraph 2 below) have made or may make to the Group.

(b) The New Scheme will provide the Participants with an opportunity to have a personal stake in the Company with a view to motivating the Participants to utilise their performance and efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining an ongoing relationship with the Participants whose contributions are or will be beneficial to the long term growth of the Group.

2. Participants

The Board may at its discretion grant options to any director (whether executive or independent non-executive director) or full-time employee of any member of the Group.

3. Total number of shares available for issue

(a) 30% limit

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the shares in issue from time to time (the "Scheme Limit").

(b) 10% limit

In addition to the Scheme Limit, and subject to the following paragraph, the total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the shares in issue as at the Approval Date, i.e. 53,066,578 shares (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the New Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. Once refreshed, the total number of securities which may be issued upon exercise of all options to be granted under the New Scheme and all other share option schemes of the Company under the limit, as refreshed, must not exceed 10% of the shares in issue as at the date of approval of the refreshment by the shareholders. Options previously granted under the New Scheme and any other share option schemes, including without limitation any options which are outstanding, cancelled, lapsed or exercised, will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

The Company may seek separate approval of the shareholders in general meeting for granting options beyond the Scheme Mandate Limit or the refreshed Scheme Mandate Limit provided that the options in excess of such limit are granted only to the Participants specifically identified before such approval is sought. A circular containing a generic description of the specified Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Participants with an explanation as to how the terms of the options serve such purpose and other information required under the Listing Rules must be sent to the shareholders.

At 7th April, 2006, the total number of shares available for issue under the New Scheme was 53,066,578, which represented approximately 9.62% of the issued share capital of the Company on that date.

4. Maximum entitlement of each Participant

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue as at the date of such new grant. Where any further grant of options to a Participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Participant and his associates (as defined in the Listing Rules) abstaining from voting.

5. Option period

The period within which the shares must be taken up under an option will be determined by the Board at its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

6. Amount payable upon acceptance of option

HK$10 is payable by each Participant to the Company on acceptance of an offer of an option, which will be paid within 28 days from the offer date.

7. Minimum period for which an option must be held before exercise

Unless otherwise determined by the Board at its sole discretion, there is no requirement of a minimum period for which an option must be held before such an option can be exercised under the terms of the New Scheme.

8. Subscription price of shares

The subscription price must be at least the highest of: (a) the closing price of a share as stated in the daily quotations sheet of the Stock Exchange on the date of offer of the grant of option which must be a day on which the Stock Exchange is open for the business of dealing in securities (the "Business Day"), and (b) the average of the closing price of the shares as shown on the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the above date of offer; and (c) the nominal value of a share.

9. Remaining life

The New Scheme commenced on 25th August, 2005 when it became unconditional and shall continue in force until the tenth anniversary of such date.

Options granted

During the year, the Company did not grant any share option under the New Scheme. All options granted prior to the termination of the Old Scheme shall continue to be valid and exercisable in accordance with the provisions of the Old Scheme.

During the year, none of the directors (except Mr. Lu Wing Lin who resigned as director of the Company on 30th November, 2005), or their spouses or children under the age of 18 years exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations. Mr. Lu Wing Lin exercised his option rights to subscribe for 7,250,000 shares in the Company at a price of HK$1.44 each.

As at 31st December, 2005, certain directors had outstanding share options pursuant to the Old Scheme, details of which are as follows:–

				Number of underlying shares comprised in share options		
Name of directors	**Date of grant**	**Exercise price per share**	**Exercisable period**	**Balance as at 1.1.2005**	**Lapsed during the year**	**Balance as at 31.12.2005**
		HK$				
Lu Wing Chi	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
Total				15,500,000	–	15,500,000

Other particulars of the Old Scheme are set out in note 45 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any director or the chief executive of the Company, as at 31st December, 2005, corporations or persons (other than a director or chief executive of the Company) who had interests or short positions in the shares and 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[2]	Beneficial interests	–	2,111,069	2,111,069	
	Held by controlled corporation	283,281,811	51,786,743	335,068,554[1]	
				337,179,623	61.48
Eaver Company Limited ("Eaver")	Beneficial interests	608,000	–	608,000	
	Held by controlled corporation	283,281,811	51,786,743	335,068,554[1]	
				335,676,554	61.21
Nan Luen[3]	Beneficial interests	283,281,811	51,786,743	335,068,554[1]	61.09
Pacific Rose Enterprises Limited	Beneficial interests	31,955,873	3,581,257	35,537,130	6.48
Cypress Gold Limited	Beneficial interests	20,013,043	7,711,957	27,725,000	5.06

Notes:

1. 283,281,811 shares and warrants carrying 51,786,743 underlying shares interested by Nan Luen and deemed to be interested by JCS and Eaver represented the same interests and were, therefore, duplicated amongst these three shareholders for the purpose of the SFO. JCS and Eaver were respectively interested in 63.58% and 36.42% of the shares in Nan Luen.

2. Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu, all of whom are directors of the Company, are also directors of JCS.

3. Messrs. Lu Wing Chi, Lincoln Lu, Lambert Lu and Lu Wing Yuk, Andrew, all of whom are directors of the Company, are also directors of Nan Luen.

Saved as disclosed above, the directors are not aware of any other corporation or person who, as at 31st December, 2005, had any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept under Section 336 of the SFO.

DEALINGS IN THE COMPANY'S SHARES AND WARRANTS

During the year ended 31st December, 2005, the Company did not redeem any of its listed shares or warrants. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares or warrants during the year.

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

Throughout the year ended 31st December, 2005, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except that the roles of the chairman and chief executive officer were not separated and was performed by the same individual.

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 14 to 20.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors at the date of this report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$53,000 (2004: HK$122,000).

POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in note 47 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in Financial Highlights on page 2.

AUDITORS

The financial statements of the Company for the year under review have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming 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, 7th April, 2006

Auditors' Report

Deloitte.
德勤

TO THE MEMBERS OF S E A HOLDINGS LIMITED
爪哇控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of S E A Holdings Limited (the "Company") and its subsidiaries (the "Group") on pages 33 to 96 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 consolidated financial statements which give a true and fair view. In preparing consolidated 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of 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 consolidated financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2005 and of its profit and cash flows 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
7th April, 2006

Consolidated Income Statement

For the year ended 31st December, 2005

	Notes	2005 HK$'000	2004 HK$'000
Revenue	6	**940,163**	474,722
Other income		**59,734**	79,923
Operating costs:			
Property and related costs	8	**(475,247)**	(158,585)
Staff costs		**(116,099)**	(61,567)
Depreciation and amortisation		**(5,081)**	(4,065)
Other expenses		**(147,770)**	(85,457)
		(744,197)	(309,674)
Loss on disposal of investment properties		**(2,424)**	(100,803)
Net (loss) gain on investments	9	**(820)**	6,100
Write down of properties held for sale		**(36,233)**	–
Gain on disposal of subsidiaries engaging in property investment and development		**11,818**	77,430
Recognition of discount on acquisition		**36,787**	–
Release of negative goodwill		**–**	39,428
Share of results of associates		**(3,359)**	3,354
Share of results of jointly controlled entities		**(290)**	(3,689)
Finance costs	10	**(75,869)**	(121,060)
Fair value changes on investment properties		**1,251,078**	–
Profit before taxation	11	**1,436,388**	145,731
Income tax expense	14	**(287,264)**	(2,156)
Profit for the year		**1,149,124**	143,575
Attributable to:			
Equity holders of the Company		**1,072,273**	120,492
Minority interests		**76,851**	23,083
		1,149,124	143,575
Dividends	15	**54,556**	51,158
Earnings per share	16		
Basic		**HK204.8 cents**	HK23.6 cents
Diluted		**HK179.9 cents**	HK21.6 cents

Consolidated Balance Sheet

At 31st December, 2005

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Non-current Assets			
Investment properties	17	**4,018,159**	3,624,804
Property, plant and equipment	18	**31,740**	385,424
Prepaid lease payments	19	**327,365**	404,207
Negative goodwill		**–**	(225,164)
Interests in associates	20	**15,330**	18,340
Interests in jointly controlled entities	21	**–**	290
Other investments	22	**–**	95,467
Club memberships	22	**8,574**	–
Available-for-sale investments	22	**81,591**	–
Amounts due from associates	23	**34,172**	31,863
Amounts due from jointly controlled entities	24	**2,790**	2,790
Other loans receivable	25	**60,963**	74,996
		4,580,684	4,413,017
Current Assets			
Inventories	26	**2,259**	3,397
Properties held for sale	27	**2,919,250**	2,391,716
Prepaid lease payments	19	**5,076**	5,606
Other investments	22	**–**	796
Held for trading investments	22	**784**	–
Other loans receivable	25	**19,390**	8,244
Receivables, deposits and prepayments	28	**189,720**	50,131
Income tax recoverable		**1,544**	1,593
Amounts due from associates	23	**–**	2,087
Amounts due from jointly controlled entities	24	**3,310**	–
Pledged bank deposits	29	**183,395**	138,869
Bank balances and deposits	30	**795,707**	732,316
		4,120,435	3,334,755
Current Liabilities			
Payables, deposits received and accrued charges	31	**313,797**	201,323
Sales deposits on properties for sale received		**133,659**	49,195
Provisions	32	**18,861**	109,361
Income tax payable		**63,610**	19,818
Borrowings – due within one year	33	**917,655**	1,432,057
Amounts due to minority shareholders	34	**141,949**	–
		1,589,531	1,811,754
Net Current Assets		**2,530,904**	1,523,001
		7,111,588	5,936,018

Consolidated Balance Sheet

At 31st December, 2005

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Capital and Reserves			
Share capital	35	**54,844**	51,154
Reserves		**4,299,577**	3,020,986
Equity attributable to equity holders of the Company		**4,354,421**	3,072,140
Minority interests		**760,679**	821,450
Total Equity		**5,115,100**	3,893,590
Non-current Liabilities			
Amounts due to minority shareholders	34	**70,376**	91,897
Borrowings – due after one year	33	**1,512,316**	1,765,218
Other payables – due after one year	37	**16,582**	18,800
Deferred taxation	38	**397,214**	166,513
		1,996,488	2,042,428
		7,111,588	5,936,018

The consolidated financial statements on pages 33 to 96 were approved and authorised for issue by the Board of Directors on 7th April, 2006 and are signed on its behalf by:

Lu Wing Chi
CHAIRMAN AND MANAGING DIRECTOR

Tse Man Bun
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2005

	Attributable to equity holders of the Company											
	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	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January, 2004												
– As originally stated	51,125	155,588	207,413	41,954	(6,131)	4,451	277,707	30,675	1,913,952	2,676,734	785,699	3,462,433
– Effects of changes in accounting policies *(note 2)*	–	–	(73,012)	–	–	–	–	–	–	(73,012)	–	(73,012)
– As restated	51,125	155,588	134,401	41,954	(6,131)	4,451	277,707	30,675	1,913,952	2,603,722	785,699	3,389,421
Revaluation surplus arising on investment properties	–	–	351,588	–	–	–	–	–	–	351,588	(6,299)	345,289
Deferred tax liability arising on revaluation of investment properties	–	–	(63,755)	–	–	–	–	–	–	(63,755)	(735)	(64,490)
Exchange movement during the year	–	–	–	29,889	–	–	–	–	–	29,889	27,316	57,205
Unrealised holding gain on investments in securities	–	–	–	–	15,739	–	–	–	–	15,739	–	15,739
Net profit recognised directly in equity	–	–	287,833	29,889	15,739	–	–	–	–	333,461	20,282	353,743
Released upon disposal of investment properties	–	–	65,204	–	–	–	–	–	–	65,204	41,147	106,351
Profit for the year	–	–	–	–	–	–	–	–	120,492	120,492	23,083	143,575
Total recognised profit for the year	–	–	353,037	29,889	15,739	–	–	–	120,492	519,157	84,512	603,669
Shares issue on exercise of warrants	29	373	–	–	–	–	–	–	–	402	–	402
Dividend proposed	–	–	–	–	–	–	–	30,692	(30,692)	–	–	–
Dividend paid	–	–	–	–	–	–	–	(30,675)	(20,453)	(51,128)	–	(51,128)
Additional dividend paid on the exercise of warrants subsequent to the issue of financial statements	–	–	–	–	–	–	–	–	(13)	(13)	–	(13)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(48,761)	(48,761)
At 31st December, 2005												
– As originally stated	51,154	155,961	487,438	71,843	9,608	4,451	277,707	30,692	1,983,286	3,072,140	821,450	3,893,590
– Effects of changes in accounting policies *(note 2)*	–	–	(487,438)	–	–	–	–	–	714,219	226,781	7,350	234,131
At 1st January, 2005												
– As restated	51,154	155,961	–	71,843	9,608	4,451	277,707	30,692	2,697,505	3,298,921	828,800	4,127,721
Exchange movement during the year	–	–	–	(19,486)	–	–	–	–	–	(19,486)	(30,378)	(49,864)
Fair value changes on available-for-sale investments	–	–	–	–	2,638	–	–	–	–	2,638	–	2,638
Net profit recognised directly in equity	–	–	–	(19,486)	2,638	–	–	–	–	(16,848)	(30,378)	(47,226)
Released upon disposal of available-for-sale investment	–	–	–	–	866	–	–	–	–	866	–	866
Profit for the year	–	–	–	–	–	–	–	–	1,072,273	1,072,273	76,851	1,149,124
Total recognised profit for the year	–	–	–	(19,486)	3,504	–	–	–	1,072,273	1,056,291	46,473	1,102,764
Shares issue on exercise of warrants and share options	3,690	47,673	–	–	–	–	–	–	–	51,363	–	51,363
Dividend proposed	–	–	–	–	–	–	–	33,094	(33,094)	–	–	–
Dividend paid	–	–	–	–	–	–	–	(30,692)	(21,462)	(52,154)	(1,080)	(53,234)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(113,514)	(113,514)
At 31st December, 2005	54,844	203,634	–	52,357	13,112	4,451	277,707	33,094	3,715,222	4,354,421	760,679	5,115,100

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, 2005

	2005	2004
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**1,436,388**	145,731
Adjustments for:		
Share of results of associates	**3,359**	(3,354)
Share of results of jointly controlled entities	**290**	3,689
Finance costs	**75,869**	121,060
Gain on disposal of subsidiaries engaging in property investment and development	**(11,818)**	(77,430)
Depreciation and amortisation	**5,081**	4,065
Fair value changes on investment properties	**(1,251,078)**	–
Fair value changes on held for trading/other investments	**12**	(3,344)
Loss (gain) on disposal of investments	**900**	(2,778)
Loss on disposal of investment properties	**2,424**	100,803
Write down of properties held for sale	**36,233**	–
Allowance for trade and other receivables	**472**	5,449
Dividend income from equity investments	**(1,771)**	(2,005)
Interest income	**(44,884)**	(67,710)
Gain on disposal of property, plant and equipment	**(84)**	–
Recognition of discount on acquisition	**(36,787)**	–
Release of negative goodwill	**–**	(39,428)
Amortisation of transaction costs on bank loans	**1,869**	1,535
(Decrease) increase in provision for rental guarantee resulting from re-measurement	**(2,226)**	14,045
Operating cash flows before movements in working capital	**214,249**	200,328
Decrease (increase) in inventories	**1,099**	(846)
Increase in properties held for sale	**(125,823)**	(1,620,767)
(Increase) decrease in receivables, deposits and prepayments	**(128,746)**	186,065
Increase (decrease) in payables, deposits received and accrued charges	**86,942**	(29,312)
Increase (decrease) in sales deposits on properties held for sale received	**87,059**	(24,320)
Repayment of other payable	**(1,410)**	–
Payment of rehousing compensation	**(5,173)**	–
Cash generated from (used in) operations	**128,197**	(1,288,852)
Dividend received from equity investments	**1,771**	2,005
Interest received	**44,035**	78,546
Interest and facilities charges paid on bank and other borrowings	**(113,992)**	(145,910)
Dividends paid	**(52,155)**	(51,141)
Dividends paid to minority shareholders	**(1,080)**	–
Hong Kong Profits Tax (paid) refunded	**(453)**	627
Overseas tax (paid) refunded	**(225)**	4,556
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**6,098**	(1,400,169)

Consolidated Cash Flow Statement

For the year ended 31st December, 2005

	Notes	2005 HK$'000	2004 HK$'000
INVESTING ACTIVITIES			
Purchase of investment properties		**(115)**	(164,276)
Proceeds on disposal of investment properties		**865,633**	830,275
Purchase of property, plant and equipment		**(117,198)**	(371,839)
Proceeds on disposal of property, plant and equipment		**860**	991
Dividend received from an associate		**1,249**	2,987
Purchase of investments		**–**	(12,428)
Proceeds on disposal of investments		**7,902**	37,338
Repayment to jointly controlled entities		**(3,310)**	–
Loans to associates		**(2,077)**	(537)
Addition of other loans receivable		**(70,075)**	(74,502)
Repayment of other loans receivable		**70,938**	65,439
Repayment of loan to a director of an indirect subsidiary		**–**	1,638
Increase in pledged bank deposits		**(45,154)**	(69,214)
Payment of compensation for rental guarantees		**(42,109)**	(38,801)
Purchase of further interests in subsidiaries		**(76,727)**	(28,716)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	39	**–**	36
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	40	**58,642**	53,436
NET CASH FROM INVESTING ACTIVITIES		**648,459**	231,827
FINANCING ACTIVITIES			
Repayment of bank and other loans		**(1,144,026)**	(3,870,495)
Payment of transaction costs		**–**	(7,987)
Funds received from bank and other loans		**466,017**	3,994,212
Advances from minority shareholders		**63,706**	2,581
Proceeds on issuance of shares		**51,363**	402
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(562,940)**	118,713
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**91,617**	(1,049,629)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**732,316**	1,811,232
Effect of foreign exchange rate changes		**(28,226)**	(29,287)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and deposits		**795,707**	732,316

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

1. GENERAL

The Company is a public listed company 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"). Its parent is Nan Luen International Limited. The directors consider that the Company's ultimate holding company is JCS Limited, a company also incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 50.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/ or prior accounting years are prepared and presented.

The impact of these changes in accounting policies is discussed below. The impact on basic and diluted earnings per share is discussed in note 16.

Business Combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations", which is effective for business combinations for which the agreement date is on or after 1st January, 2005 and for goodwill and negative goodwill existed on 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. The Group has derecognised all negative goodwill at 1st January, 2005 with a corresponding increase to retained profits at 1st January, 2005.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 did not have material effect on the financial statements. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice "SSAP" 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" is included in income statement. Unrealised gains or losses on "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit and loss for that period. From 1st January, 2005 onwards, the Group classifies and measures its debts and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in income statement and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

At 1st January, 2005, the Group reclassified its trading securities with a carrying amount of HK$796,000 to held for trading investments and reclassified its non-trading securities with carrying amount of HK$86,893,000 to available-for-sale investments.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Financial assets and financial liabilities other than debt and equity securities (Continued)

The carrying amounts of amounts due to minority shareholders and other payables are adjusted for the effect of imputed interest based on the prevailing market rate as at the date of grant and are carried at amortised cost using the effective interest method subsequent to 1st January 2005.

Leases

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to "prepaid lease payments", which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Investment Properties

In the current year, the Group has applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the period in which they arise. In previous years, investment properties under SSAP 13 were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elect to apply HKAS 40 from 1st January, 2005 onwards. The amount previously held in investment property revaluation reserve at 1st January, 2005 has been transferred to retained profits.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Deferred Taxes related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HKAS – Int 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflects the tax consequences that will follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS – Int 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated.

Share-based Payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1st January, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 and had vested before 1st January, 2005 in accordance with the relevant transitional provisions. This change has had no material effect on the results to the current or prior years.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Group is in the process of assessing the potential impact of these new HKFRSs and so far concluded that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

[1]Effective for annual periods beginning on or after 1st January, 2007.
[2]Effective for annual periods beginning on or after 1st January, 2006.
[3]Effective for annual periods beginning on or after 1st December, 2005.
[4]Effective for annual periods beginning on or after 1st March, 2006.

Summary of the effects of the changes in accounting policies

The effects of the adoption of new HKFRSs on the results for the year ended 31st December, 2005 are as follows:

	HKAS 32 & HKAS 39 *HK$'000*	HKAS 40 *HK$'000*	HKAS – Int 21 *HK$'000*	HKFRS 3 *HK$'000*	Total effect *HK$'000*
Decrease in release of negative goodwill	–	–	–	(45,989)	(45,989)
Recognition of discount on acquisition	–	–	–	36,787	36,787
Fair value changes on investment properties	–	1,251,078	–	–	1,251,078
Increase in imputed interest expense on other payables	(808)	–	–	–	(808)
Increase in imputed interest expense on amounts due to minority shareholders	(3,740)	–	–	–	(3,740)
Increase in deferred tax on revaluation of investment properties	–	(99,322)	(141,263)	–	(240,585)
(Decrease) increase in profit for the year	(4,548)	1,151,756	(141,263)	(9,202)	996,743
Attributable to:					
Equity holders of the Company	(808)	1,140,993	(140,837)	(9,202)	990,146
Minority interests	(3,740)	10,763	(426)	–	6,597
	(4,548)	1,151,756	(141,263)	(9,202)	996,743

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Summary of the effects of the changes in accounting policies *(Continued)*

Analysis of increase (decrease) in profit for the year by the line items presented according to their nature is as follows:

	HKAS 32 & HKAS 39	HKAS 40	HKAS – Int 21	HKFRS 3	Total effect
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in release of negative goodwill	–	–	–	(45,989)	(45,989)
Recognition of discount on acquisition	–	–	–	36,787	36,787
Fair value changes on investment properties	–	1,251,078	–	–	1,251,078
Increase in finance costs	(4,548)	–	–	–	(4,548)
Increase in income tax expense	–	(99,322)	(141,263)	–	(240,585)
(Decrease) increase in profit for the year	(4,548)	1,151,756	(141,263)	(9,202)	996,743

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Summary of the effects of the changes in accounting policies *(Continued)*

The cumulative effects of the adoption of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31st December, 2004 (originally stated)	Retrospective adjustments			As at 31st December, 2004 (restated)	Adjustments on 1st January, 2005			As at 1st January, 2005 (restated)
		HKAS 1	HKAS 17	HKAS – Int 21		HKAS 32 & 39	HKAS 40	HKFRS 3	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance sheet items									
Property, plant and equipment	795,237	–	(409,813)	–	385,424	–	–	–	385,424
Prepaid lease payments	–	–	409,813	–	409,813	–	–	–	409,813
Negative goodwill	(225,164)	–	–	–	(225,164)	–	–	225,164	–
Other investments	96,263	–	–	–	96,263	(96,263)	–	–	–
Club memberships	–	–	–	–	–	8,574	–	–	8,574
Available-for-sale investments	–	–	–	–	–	86,893	–	–	86,893
Held for trading Investments	–	–	–	–	–	796	–	–	796
Amounts due to minority shareholders	–	(91,897)	–	–	(91,897)	7,350	–	–	(84,547)
Other payables – due after one year	(18,800)	–	–	–	(18,800)	1,617	–	–	(17,183)
Deferred taxation	(39,613)	–	–	(126,900)	(166,513)	–	–	–	(166,513)
Total effects on assets and liabilities	607,923	(91,897)	–	(126,900)	389,126	8,967	–	225,164	623,257
Retained profits	1,983,286	–	–	–	1,983,286	1,617	487,438	225,164	2,697,505
Investment property revaluation reserve	613,603	–	–	(126,165)	487,438	–	(487,438)	–	–
Minority interests	914,082	(91,897)	–	(735)	821,450	7,350	–	–	828,800
Total effects on equity	3,510,971	(91,897)	–	(126,900)	3,292,174	8,967	–	225,164	3,526,305
	(2,903,048)	–	–	–	(2,903,048)	–	–	–	(2,903,048)

The effect on the adoption of new HKFRSs to the Group's equity at 1st January, 2004 was to decrease the investment property revaluation reserve by HK$73,012,000 due to the application of HKAS – Int 21 as mentioned on page 42.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interests in subsidiaries are recorded at historical cost and the excess of the carrying amounts of net assets attributable to the additional interests over the cost of acquisition is recognised as discount on acquisition.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Discount on acquisition

A discount on acquisition arising on an acquisition for which an agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

As explained in Note 2 above, all negative goodwill as at 1st January, 2005 has been derecognised with a corresponding adjustment to the Group's retained profits.

Goodwill

Capitalised goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Such goodwill is carried at cost less any accumulated impairment losses.

Impairment testing on capitalised goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On subsequent disposal, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The results and assets and liabilities of jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any impairment in the value of individual investments. Losses of an joint ventures in excess of the Group's interest in that jointly controlled entities (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entities) are not recognised.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Sales of properties

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

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

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Investment properties

Investment property including land under operating lease arrangement, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Property, plant and equipment

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

Depreciation 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Property under development

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Properties under development are classified under property, plant and equipment and are stated at cost less any identified impairment loss. Cost comprises property development costs including attributable borrowing costs and charges capitalised during the development period.

Impairment losses (other than goodwill, club memberships with indefinite useful lives (see the accounting policies in respect of goodwill and club memberships))

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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. An impairment loss is recognised as an expense immediately.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Financial assets

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments other than held-to-maturity debt securities are classified as either held for trading investments or as available-for-sale investments, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly 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 the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including receivables, amounts due from associates and jointly controlled entities, pledged bank deposits and other loans receivable) are carried at amortised cost using the effective interest method, less any identified impairment loss. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Bank borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Other financial liabilities

Other financial liabilities including payables, sales deposits on properties for sale received and amounts due to minority shareholders are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Club memberships

On initial recognition, club memberships are recognised at cost. After initial recognition, club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

Gains or losses arising from derecognition of a club membership are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Club memberships with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. 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. An impairment loss is recognised as an expense immediately.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Club memberships *(Continued)*

When 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Properties held for sale

Properties under development held for sale in the ordinary course of business are classified under current assets and are stated at the lower of cost and net realisable value. Cost comprises property interest in leasehold land and development costs including attributable borrowings costs and charges capitalised during the development period that have been incurred in bringing the properties under development held for sale to their present location and condition. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing, selling and distribution.

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 eligible for capitalisation.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense 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 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable 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 is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. 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

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, which are described in note 3, management has made the following estimation that have the most significant effect on the amounts recognised in the financial statements.

Provision for compensation

A provision of HK$15 million has been made in the financial statements for the compensation to the previous owners of the land of the property (note 32). The provision has been made by reference to the statutory requirements and other relevant signed agreements.

Write down of properties held for sale

The Group makes a write down of properties held for sale based on an assessment of the net realisable value of properties held for sale. Allowances are applied to properties held for sale where events or changes in circumstances indicate that the net realisable value is lower than the cost of properties held for sale. The determination requires the use of estimates.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include investments, loans and receivables, pledged bank deposits, bank balances and deposits, borrowings and other financial liabilities.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimize the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are licensed banks.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Market risk

Cash flow interest rate risk

The Group has exposures to interest rate risk as its borrowings are subject to floating interest rates. Currently, interest rate risk is not hedged. However, from time to time, if interest rate fluctuates significantly, interest rate swaps may be used to convert some of the floating interest rates borrowings to fixed rates, to manage interest rate exposure.

Currency risk

Certain bank loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Price risk

The Group's available-for-sale investments and held for trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to the price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

6. REVENUE

	2005 HK$'000	2004 HK$'000
Gross rental income	**128,152**	214,056
Gross proceeds from sale of properties	**767,653**	196,362
Gross invoiced sales of goods	**41,436**	61,053
Agency and service fees income	**487**	582
Dividend income	**1,771**	2,005
Project management fee income	**664**	664
	940,163	474,722

7. 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.

Income Statement for the year ended 31st December, 2005

	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	207,216	187,758	3,265	541,924	–	–	940,163
Inter-segment sales*	–	–	–	43,096	–	(43,096)	–
Total revenue	207,216	187,758	3,265	585,020	–	(43,096)	940,163

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

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULT							
Segment profit (loss)	(22,807)	16,602	380,654	1,176,124	(20,472)	–	1,530,101
Interest income							44,884
Recognition of discount on acquisition	36,787	–	–	–	–	–	36,787
Unallocated corporate expenses							(95,866)
Share of results of associates	(3,359)	–	–	–	–	–	(3,359)
Share of results of jointly controlled entities	–	–	(290)	–	–	–	(290)
Finance costs							(75,869)
Profit before taxation							1,436,388
Income tax expense							(287,264)
Profit for the year							1,149,124

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

7. GEOGRAPHICAL AND BUSINESS SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Other Information for the year ended 31st December, 2005

	New Zealand *HK$'000*	Australia *HK$'000*	PRC *HK$'000*	Hong Kong *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Capital additions	35,179	8,013	70,579	3,170	372	117,313
Depreciation and amortisation	2,775	401	280	1,444	181	5,081
Gain (loss) on disposal of property, plant and equipment	62	(4)	–	26	–	84
Fair value changes on investment properties	(8,653)	(591)	408,072	852,250	–	1,251,078
Loss on disposal of investment properties	2,424	–	–	–	–	2,424
Net loss on disposal of investments	–	–	–	900	–	900
Write down of properties held for sale	16,537	–	–	–	19,696	36,233
Allowance for trade and other receivables	469	–	–	3	–	472
Gain on disposal of subsidiaries engaging in property investment and development	–	–	11,818	–	–	11,818
Net exchange gain (loss)	–	7,383	(24)	(2,289)	–	5,070

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

7. GEOGRAPHICAL AND BUSINESS SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Balance Sheet at 31st December, 2005

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	753,544	272,530	905,268	5,728,233	5,296	7,664,871
Interests in associates	15,330	–	–	–	–	15,330
Amount due from an associate	34,172	–	–	–	–	34,172
Amounts due from jointly controlled entities	–	–	6,100	–	–	6,100
Income tax recoverable						1,544
Unallocated corporate assets						979,102
Consolidated total assets						8,701,119
LIABILITIES						
Segment liabilities	57,829	3,322	87,830	331,260	2,658	482,899
Borrowings						2,429,971
Amounts due to minority shareholders						212,325
Income tax payable						63,610
Deferred taxation						397,214
Consolidated total liabilities						3,586,019

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

7. GEOGRAPHICAL AND BUSINESS SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Income Statement for the year ended 31st December, 2004

	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	321,572	22,519	4,276	126,355	–	–	474,722
Inter-segment sales*	–	–	–	39,223	–	(39,223)	–
Total revenue	321,572	22,519	4,276	165,578	–	(39,223)	474,722

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

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULT							
Segment profit (loss)	139,682	9,758	(7,425)	97,939	(906)	–	239,048
Interest income							67,710
Unallocated corporate expenses							(39,632)
Share of results of associates	3,354	–	–	–	–	–	3,354
Share of results of jointly controlled entities	–	–	(3,689)	–	–	–	(3,689)
Finance costs							(121,060)
Profit before taxation							145,731
Income tax expense							(2,156)
Profit for the year							143,575

Other Information for the year ended 31st December, 2004

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
Capital additions	334,576	–	40,692	44,086	–	419,354
Depreciation and amortisation	1,488	365	290	1,905	17	4,065
Fair value changes on investments	–	–	–	3,344	–	3,344
Loss on disposal of investment properties	86,758	14,045	–	–	–	100,803
Loss on disposal of investments	2,778	–	–	–	–	2,778
Allowance for trade and other receivables	179	90	–	5,180	–	5,449
Gain on disposal of subsidiaries engaging in property investment and development	34,922	42,508	–	–	–	77,430
Release of negative goodwill	25,959	1,203	–	12,266	–	39,428
Net exchange gain (loss)	–	6,490	(19)	807	–	7,278

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

7. GEOGRAPHICAL AND BUSINESS SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Balance Sheet at 31st December, 2004

	New Zealand	Australia	PRC	Hong Kong	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	1,230,855	491,458	470,015	4,604,564	22,732	6,819,624
Interests in associates	18,340	–	–	–	–	18,340
Amounts due from associates	33,950	–	–	–	–	33,950
Interests in jointly controlled entities	–	–	290	–	–	290
Amounts due from jointly controlled entities	–	–	2,790	–	–	2,790
Income tax recoverable						1,593
Unallocated corporate assets						871,185
Consolidated total assets						7,747,772
LIABILITIES						
Segment liabilities	118,383	49,241	113,014	97,477	564	378,679
Borrowings						3,197,275
Income tax payable						19,818
Amounts due to minority shareholders						91,897
Deferred taxation						166,513
Consolidated total liabilities						3,854,182

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 financial instruments
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 Consolidated Financial Statements

For the year ended 31st December, 2005

7. GEOGRAPHICAL AND BUSINESS SEGMENTS *(Continued)*

Business segments *(Continued)*

The following table provides an analysis of the Group's sales revenue by business segment:

	Sales revenue by business segment	
	2005	2004
	HK$'000	*HK$'000*
Property investment	**128,152**	214,056
Garment manufacturing and trading	**31,287**	57,049
Investment	**1,771**	2,005
Property development	**767,653**	196,362
Others	**11,300**	5,250
	940,163	474,722

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	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(restated)
Property investment	**3,638,792**	4,183,739	**7,592**	379,281
Garment manufacturing and trading	**7,164**	16,351	**6**	9
Investment	**110,149**	164,990	**1,220**	454
Property development	**4,640,907**	2,851,761	**106,551**	39,610
Others	**5,524**	58,205	**–**	–
Unallocated corporate assets	**298,583**	472,726	**1,944**	–
	8,701,119	7,747,772	**117,313**	419,354

8. PROPERTY AND RELATED COSTS

	2005	2004
	HK$'000	*HK$'000*
Changes in inventories of manufactured finished goods and work-in-progress	**(1,138)**	1,480
Raw materials and consumables used	**(12,875)**	(17,860)
Purchase of goods held for resale	**(1,523)**	(1,278)
Changes in inventories of properties held for sale	**527,534**	1,853,735
Costs incurred on properties held for sale	**(987,245)**	(1,994,662)
	(475,247)	(158,585)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

9. NET (LOSS) GAIN ON INVESTMENTS

	2005	2004
	HK$'000	*HK$'000*
Fair value changes on held for trading/other investments	**(12)**	3,344
Net (loss) gain on disposal of investments (note)	**(900)**	2,778
Others	**92**	(22)
	(820)	6,100

Note: Amount included decrease in fair value on available-for-sale investments of HK$866,000 (2004: Nil) released from investments revaluation reserve.

10. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Facilities charges	**38**	6,473
Interest on:		
Bank loans wholly repayable within 5 years	**52,216**	110,332
Other loans wholly repayable within 5 years	**50,326**	822
Bank loans not wholly repayable within 5 years	**4,234**	6,464
Other loans not wholly repayable within 5 years	**7,178**	–
Bonds	**–**	7,241
Imputed interest on amounts due to minority shareholders	**3,740**	–
Imputed interest on other payables	**808**	–
	118,540	131,332
Less: Amounts capitalised to property development projects	**(42,671)**	(10,272)
	75,869	121,060

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7% (2004: 6%) to expenditure on qualifying assets.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

11. PROFIT BEFORE TAXATION

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Auditors' remuneration		
Current year	3,858	2,720
Underprovision for prior years	–	288
Allowance for trade and other receivables	472	5,449
Directors' emoluments *(note 12)*	62,092	13,678
Minimum lease payments under operating leases	8,569	8,076
and crediting:		
Gross rental income from investment properties	128,093	212,740
Less: direct operating expenses from investment properties that generate rental income during the year	(11,592)	(20,039)
Net rental income from investment properties	116,501	192,701
Rental income from other properties	59	1,316
	116,560	194,017
Interest earned on bank deposits	34,457	58,796
Other interest income	10,427	8,914
	44,884	67,710
Gain on disposal of property, plant and equipment	84	–
Dividend income from equity investments	1,771	2,005
Net exchange gain	5,070	7,278

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors are as follows:

	Lu Wing Chi	Lincoln Lu	Lambert Lu	Lu Wing Yuk, Andrew	Tse Man Bun	Lu Wing Lin	Lu Yong Lee	Walujo Santoso Wally	Leung Hok Lim	Chung Pui Lam	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005											
Fees	20	20	20	20	20	20	18	130	150	150	568
Other emoluments											
Salaries and other remuneration	3,000	1,320	1,320	480	2,400	440	–	–	–	–	8,960
Retirement benefits scheme contribution	450	132	132	60	240	66	–	–	–	–	1,080
Discretionary and performance based bonus	40,787	3,399	3,399	–	3,399	500	–	–	–	–	51,484
Total emolument	**44,257**	**4,871**	**4,871**	**560**	**6,059**	**1,026**	**18**	**130**	**150**	**150**	**62,092**
2004											
Fees	20	20	20	20	2	20	20	120	150	32	424
Other emoluments											
Salaries and other remuneration	2,700	1,200	1,300	438	200	1,980	–	–	–	–	7,818
Retirement benefits scheme contribution	405	120	120	53	20	297	–	–	–	–	1,015
Discretionary and performance based bonus	3,721	200	200	–	–	300	–	–	–	–	4,421
Total emolument	6,846	1,540	1,640	511	222	2,597	20	120	150	32	13,678

The discretionary and performance bonus to the executive directors is calculated based on the profit before taxation less profit attributable to minority interests of the Group.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2004: two) were directors of the Company whose emoluments are included in the disclosures in note 12. The emoluments of the remaining one (2004: three) individual were as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries and other remuneration	**5,431**	6,800
Performance based bonus	**–**	1,034
Retirement benefits scheme contribution	**–**	–
	5,431	7,834

Their emoluments were within the following bands:

	2005 Number of employees	2004 Number of employees
HK$1,500,001 to HK$2,000,000	**–**	2
HK$4,000,001 to HK$4,500,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	–
	1	3

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

14. INCOME TAX EXPENSE

	2005	2004
	HK$'000	*HK$'000*
The charge comprises:		
Current year		
Hong Kong	**44,389**	654
Other regions in the PRC	**–**	626
Other jurisdictions	**1,419**	164
	45,808	1,444
Overprovision in prior years		
Hong Kong	**–**	(135)
Other jurisdictions	**(77)**	–
	45,731	1,309
Deferred tax		
Current year	**241,533**	847
	287,264	2,156

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

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

Details of deferred taxation are set out in note 38.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

14. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled from income tax expense based on profit per the income statement as follows:

	Hong Kong and PRC		New Zealand, Australia and others		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit before taxation	**1,431,768**	30,021	**4,620**	115,710	**1,436,388**	145,731
Applicable income tax rate	**17.5%**	17.5%	**33%**	33%		
Tax at the applicable income tax rate	**250,559**	5,254	**1,525**	38,184	**252,084**	43,438
Tax effect of expenses not deductible for tax purpose	**7,594**	1,766	**33,646**	20,400	**41,240**	22,166
Tax effect of income not taxable for tax purpose	**(33,483)**	(3,359)	**(13,837)**	(37,411)	**(47,320)**	(40,770)
Overprovision in prior years	**–**	(135)	**(77)**	–	**(77)**	(135)
Tax effect of (utilisation of losses previously not recognised) losses not recognised, net	**14,695**	(2,257)	**(20,520)**	(22,584)	**(5,825)**	(24,841)
Tax effect of decrease in deferred tax assets on deductible temporary differences not recognised	**(656)**	(680)	**–**	–	**(656)**	(680)
Withholding tax on dividend income	**–**	–	**315**	–	**315**	–
Effect of different tax rates of subsidiaries operated in other jurisdictions	**47,224**	457	**(322)**	(278)	**46,902**	179
Others	**168**	651	**433**	2,148	**601**	2,799
Income tax expense for the year	**286,101**	1,697	**1,163**	459	**287,264**	2,156

15. DIVIDENDS

	2005	2004
	HK$'000	*HK$'000*
Final – HK6 cents per share (2004: HK6 cents)	**33,094**	30,692
Interim – HK4 cents per share (2004: HK4 cents)	**21,462**	20,466
	54,556	51,158

A final dividend of HK6 cents (2004: HK6 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2005	2004
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**1,072,273**	120,492

	Number of shares	
	2005	2004
Weighted average number of ordinary shares for the purposes of basic earnings per share	**523,677,685**	511,353,614
Effect of dilutive potential ordinary shares		
Options	**12,697,452**	8,301,278
Warrants	**59,666,538**	39,386,622
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**596,041,675**	559,041,514

Impact of changes in accounting policies

Changes in Group's accounting policies during the year are described in details in note 2. To the extent that changes have had an impact on results reported for 2005 and 2004, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2005	2004	**2005**	2004
	HK cents	*HK cents*	***HK cents***	*HK cents*
Figures before changes in accounting policies	**15.7**	23.6	**13.8**	21.6
Effect on changes in accounting policies	**189.1**	–	**166.1**	–
Figures after changes in accounting polices	**204.8**	23.6	**179.9**	21.6

Notes to the Consolidated Financial Statements

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17. INVESTMENT PROPERTIES

	New Zealand and Australia held under freehold	Hong Kong held under long leases	Hong Kong held under medium-term leases	PRC held under long leases	PRC held under medium-term leases	Australia held under long leases	New Zealand held under medium-term leases	New Zealand held under long leases	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
AT FAIR VALUE									
At 1st January, 2004	1,695,338	81,000	1,800,000	–	39,300	147,066	19,575	119,208	3,901,487
Exchange adjustments	96,802	–	–	–	–	7,782	1,994	15,783	122,361
Additions	42,479	43,619	–	–	1,083	–	135	76,960	164,276
Acquired on acquisition of subsidiaries	22,955	–	–	–	–	–	–	–	22,955
Disposals	(785,776)	–	–	–	–	–	–	–	(785,776)
Transfer to properties under development	(105,693)	–	–	–	–	–	–	(40,095)	(145,788)
(Deficit) surplus on valuation	(36,987)	53,731	300,000	–	129	21,812	(308)	6,912	345,289
At 31st December, 2004	929,118	178,350	2,100,000	–	40,512	176,660	21,396	178,768	3,624,804
Exchange adjustments	(21,388)	–	–	–	767	(10,335)	(708)	(3,978)	(35,642)
Additions	115	–	–	–	–	–	–	–	115
Transfer from property, plant and equipment	214	–	–	273,142	–	–	–	–	273,356
Transfer from prepaid lease payments	–	–	–	32,810	–	–	–	–	32,810
Eliminated on disposal of subsidiaries	–	–	–	–	(63,168)	–	–	–	(63,168)
Disposals	(868,057)	–	–	–	–	–	–	–	(868,057)
Transfer to properties held for sale	(1,427)	–	–	–	–	–	(20,920)	(174,790)	(197,137)
(Decrease) increase in fair value	(8,194)	52,250	800,000	386,184	21,889	(592)	(459)	–	1,251,078
Reallocation	(7,892)	–	–	–	–	–	7,892	–	–
At 31st December, 2005	**22,489**	**230,600**	**2,900,000**	**692,136**	**–**	**165,733**	**7,201**	**–**	**4,018,159**

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

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For the year ended 31st December, 2005

17. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties have been revalued as at 31st December, 2005 on the basis carried out at that date 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, Colliers International New Zealand Limited
Hong Kong held under medium-term and long leases	Chesterton Petty Limited
PRC held under medium-term leases	Chesterton Petty Limited
PRC held under long leases	DTZ Debenham Tie Leung Limited
Australia held under long leases	Colliers International Consultancy and Valuation Pty Limited
New Zealand held under medium-term and long leases	CB Richard Ellis Limited

The above valuers are not connected with the Group. They are members of Institute of valuers, and have appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at using two primary methods, namely the comparison approach and the income capitalisation approach.

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

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18. PROPERTY, PLANT AND EQUIPMENT

	Properties under development	Buildings	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1st January, 2004	387,616	523	20,171	10,488	3,007	2,635	424,440
Effect of changes in accounting policies *(note 2)*	(177,925)	–	–	–	–	–	(177,925)
At 1st January, 2004 (as restated)	209,691	523	20,171	10,488	3,007	2,635	246,515
Exchange adjustments	17,732	(34)	1,158	353	–	–	19,209
Additions	128,257	–	3,417	2,752	–	–	134,426
Acquired on acquisition of subsidiaries	95,475	–	1,788	434	–	–	97,697
Amortisation of prepaid lease payments capitalised	5,525	–	–	–	–	–	5,525
Transfer from investment properties	145,788	–	–	–	–	–	145,788
Disposals	–	–	(925)	(2,057)	–	–	(2,982)
Disposed on disposal of subsidiaries	(8,373)	–	–	–	–	–	(8,373)
Transfer to properties held for sale	(222,006)	–	–	–	–	–	(222,006)
At 1st January, 2005	372,089	489	25,609	11,970	3,007	2,635	415,799
Exchange adjustments	3,434	(21)	(732)	(448)	(4)	(94)	2,135
Additions	102,337	–	4,344	8,548	6	1,963	117,198
Amortisation of prepaid lease payments capitalised	5,606	–	–	–	–	–	5,606
Disposals	–	–	(841)	(1,672)	(17)	–	(2,530)
Transfer to properties held for sale	(199,964)	–	–	–	–	–	(199,964)
Transfer to investment properties	(273,142)	–	(214)	–	–	–	(273,356)
Reallocation	–	–	(66)	–	66	–	–
At 31st December, 2005	**10,360**	**468**	**28,100**	**18,398**	**3,058**	**4,504**	**64,888**
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2004	–	155	17,166	6,096	1,618	2,451	27,486
Exchange adjustments	–	(12)	727	100	–	–	815
Provided for the year	–	19	1,905	1,949	139	53	4,065
Eliminated on disposals	–	–	(772)	(1,219)	–	–	(1,991)
At 1st January, 2005	–	162	19,026	6,926	1,757	2,504	30,375
Exchange adjustments	–	(7)	(502)	(27)	(1)	(11)	(548)
Provided for the year	–	16	2,384	1,719	168	794	5,081
Eliminated on disposals	–	–	(623)	(1,126)	(11)	–	(1,760)
At 31st December, 2005	**–**	**171**	**20,285**	**7,492**	**1,913**	**3,287**	**33,148**
CARRYING VALUES							
At 31st December, 2005	**10,360**	**297**	**7,815**	**10,906**	**1,145**	**1,217**	**31,740**
At 31st December, 2004	372,089	327	6,583	5,044	1,250	131	385,424

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For the year ended 31st December, 2005

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

In addition, following the adoption of HKAS 16 "Property, Plant and Equipment", which is effective for the current accounting period, the Group has reviewed the residual values used for the purposes of depreciation calculations in the light of the amended definition of residual value in the Standard. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. In line with the new requirements, these residual values will be reviewed and updated annually in the future.

The carrying values of properties shown above comprises:

	Properties under development		**Buildings**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)
In PRC held under long leases	**–**	194,315	**93**	97
In Hong Kong held under medium-term leases	**10,360**	5,334	**–**	–
In New Zealand held under freehold	**–**	172,440	**–**	–
In Indonesia under long leases	**–**	–	**204**	230
	10,360	372,089	**297**	327

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For the year ended 31st December, 2005

19. PREPAID LEASE PAYMENTS

	2005	2004
	HK$'000	*HK$'000*
Leasehold land in Hong Kong:		
Medium-term lease	**332,441**	337,468
Leasehold land outside Hong Kong:		
Long-term lease	**–**	72,345
	332,441	409,813
Analysed for reporting purposes as:		
Current	**5,076**	5,606
Non-current	**327,365**	404,207
	332,441	409,813

Amortisation of prepaid lease payments amounting to HK$5,606,000 (2004: HK$5,525,000) was capitalised to properties under development.

20. INTERESTS IN ASSOCIATES

	2005	2004
	HK$'000	*HK$'000*
Investment cost – unlisted	**16,594**	16,594
Share of post-acquisition reserves	**(1,264)**	1,746
Goodwill on acquisition of associates	**80,396**	80,396
Impairment loss recognised	**(80,396)**	(80,396)
	15,330	18,340

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For the year ended 31st December, 2005

20. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's principal associates at 31st December, 2005, all of which are companies with limited liability, are as follows:

Name of associate	Form of business structure	Place/ country of incorporation/ operation	Class of shares held	Effective percentage of nominal value of issued equity capital indirectly held by the Company	Principal activities
e-commerce Logistics Limited	Incorporated	Hong Kong	Ordinary	24	e-fulfillment, warehousing and delivery services
GSB Supplycorp Limited	Incorporated	New Zealand	Ordinary	44	Public sector e-procurement
Jacks Point Limited	Incorporated	New Zealand	Ordinary	26	Property development
New Zealand Land Trust Holdings Limited	Incorporated	New Zealand	Ordinary	25	Property development
Professional Service Brokers Limited	Incorporated	New Zealand	Ordinary Preference	44 44	e-procurement management
Supplynet Limited	Incorporated	New Zealand	Ordinary	42	e-commerce marketplace

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

20. INTERESTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's associates is as follows:

	2005	2004
	HK$'000	*HK$'000*
Total assets	**308,549**	190,593
Total liabilities	**(258,208)**	(137,444)
	50,341	53,149
Revenue	**37,850**	35,881
(Loss) profit for the year	**(2,978)**	7,117

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2005	2004
	HK$'000	*HK$'000*
Cost of unlisted investments in a jointly controlled entity	**24,521**	24,521
Share of post-acquisition reserves	**(24,521)**	(24,231)
	–	290

As at 31st December, 2005, the Group had interests in the following principal jointly controlled entity formed as a Sino-foreign equity joint venture:

Name of entity	Form of business structure	Country of registration/ operation	Registered capital	Effective percentage of registered capital indirectly held by the Company	Principal activities
成都岷強房地產開發有限公司 (Chengdu Mingqiang Real Estate Co., Ltd.)	Equity joint Venture	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.

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21. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The summarised financial information in respect of the Group's jointly controlled entities is as follows:

	2005 HK$'000	2004 HK$'000
Total assets	**149,767**	144,386
Total liabilities	**(151,301)**	(143,806)
	(1,534)	580
Revenue	**7,148**	2,736
Loss for the year	**2,115**	6,982

The Group has discontinued recognition of its share of loss of a jointly controlled entity. The amounts of unrecognised share of the jointly controlled entity, both for the year and cumulatively, are as follows:

	2005 HK$'000	2004 HK$'000
Unrecognised share of loss of the jointly controlled entity for the year	**767**	–
Accumulated unrecognised share of loss of the jointly controlled entity	**767**	–

In addition to the jointly controlled entities listed above, the Group has entered into a joint venture agreement in the form of a jointly controlled asset to develop a carpark. The Group has a 55% interest in the joint venture.

At 31st December, 2005, the aggregate amount of assets and liabilities recognised in the financial statements in relation to interests in jointly controlled assets are as follows:

	2005 HK$'000	2004 HK$'000
Total assets	**52,829**	14,063
Total liabilities	**52,829**	14,063
Income	**–**	–
Expenses	**–**	–

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For the year ended 31st December, 2005

22. CLUB MEMBERSHIPS/AVAILABLE-FOR-SALE INVESTMENTS/HELD FOR TRADING INVESTMENTS/OTHER INVESTMENTS

	2005	2004
	HK$'000	*HK$'000*
Investments in securities		
Equity securities (at fair value):		
Listed – Hong Kong	**78,461**	83,760
– Overseas	**3,914**	3,929
	82,375	87,689
Club memberships (at cost less impairment)		
Unlisted	**8,574**	8,574
	90,949	96,263
Classified as:		
Other investments		
Non-current	**–**	95,467
Current	**–**	796
Club memberships	**8,574**	–
Available-for-sale investments	**81,591**	–
Held for trading Investments	**784**	–
	90,949	96,263

The directors of the Company are of the opinion that the Group would derive benefits from the use of club memberships continuously and therefore is considered as having an indefinite useful life. The club membership will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Investments in listed equity securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on bid price quoted in the relevant exchange market.

Fair value changes on available-for-sale investment amounting to HK$2,638,000 were credited to investments revaluation reserve for the year ended 31st December, 2005.

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For the year ended 31st December, 2005

23. AMOUNTS DUE FROM ASSOCIATES

	2005	2004
	HK$'000	*HK$'000*
Non-current	**34,172**	31,863
Current	**–**	2,087
	34,172	33,950

The non-current portion is unsecured, bears fixed interest at 8.5% (2004: 8.5%) and repayable within two years from May 2004 but extendable for an additional year.

24. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

	2005	2004
	HK$'000	*HK$'000*
Non-current	**2,790**	2,790
Current	**3,310**	–
	6,100	2,790

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

The current portion is unsecured, interest-free and repayable within one year.

The directors consider that the fair values of amounts due from jointly controlled entities at 31st December, 2005 approximate to the corresponding carrying amounts. The fair values at 31st December, 2005 were determined based on the present value at the estimated future cash flows discounted using the prevailing market rate at the balance sheet date.

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For the year ended 31st December, 2005

25. OTHER LOANS RECEIVABLE

	2005	2004
	HK$'000	*HK$'000*
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	**19,390**	8,244
Non-current assets (receivable after 12 months from the balance sheet date)	**60,963**	74,996
	80,353	83,240

The other loans receivable are secured by certain leasehold properties, carry interest at prime rate and are repayable in accordance with their respective repayment terms.

The loans are repayable as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**19,390**	8,244
In more than one year but not more than two years	**4,080**	74,813
In more than two years but not more than three years	**3,344**	183
In more than three years but not more than four years	**1,986**	–
In more than four years but not more than five years	**2,139**	–
In more than five years	**49,414**	–
	80,353	83,240

The average effective interest rates of other loans receivable are 7.75% (2004: 13.5%).

The directors consider the fair value of the Group's other loans receivable as at 31st December, 2005, estimated based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date, approximates to the corresponding carrying amount.

26. INVENTORIES

	2005	2004
	HK$'000	*HK$'000*
Raw materials	**344**	82
Work-in-progress	**1,218**	1,741
Finished goods	**697**	1,574
	2,259	3,397

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27. PROPERTIES HELD FOR SALE

	2005	2004
	HK$'000	*HK$'000*
Completed	**757,575**	1,538,427
Under development	**2,161,675**	853,289
	2,919,250	2,391,716

At 31st December, 2005, the total borrowing costs capitalised to properties held for sale were HK$29,268,000 (2004: HK$14,723,000).

Included in the Group's properties held for sale are HK$201,404,000 (2004: HK$853,289,000) which are expected to be recovered more than twelve months after the balance sheet date.

The Group's properties held for sale of HK$2,066,303,000, HK$651,543,000 and HK$201,404,000 are situated in Hong Kong, New Zealand and Australia and PRC respectively. Included in the Group's properties held for sale are HK$186,962,000 (2004: Nil) which are held under freehold.

All other properties are held under medium to long term leases.

28. RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 1 to 3 months to its trade customers.

For the receivable from the sales of properties, the repayment terms are based on the respective agreements.

Included in receivables, deposits an prepayments are trade receivable with an aged analysis at the balance sheet date as follows:

	2005	2004
	HK$'000	*HK$'000*
0 to 60 days	**158,004**	12,541
61 to 90 days	**202**	194
91 to 365 days	**1,461**	1,184
Over 365 days	**575**	376
	160,242	14,295

The directors consider that the fair value of receivables at 31st December, 2005 approximates to the corresponding carrying amount.

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29. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure short-term bank loans and are therefore classified as current assets.

The deposits carry fixed interest rates ranging from 2.5% to 4.27%. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair value of bank deposits at 31st December, 2005 approximates to the corresponding carrying amount.

30. BANK BALANCES AND DEPOSITS

Bank balances and deposits comprise cash held by the Group and short-term bank deposits which carry fixed interest rates ranging from 3% to 4% with an original maturity of three months or less. The fair value of bank balances and deposits at 31st December, 2005 approximates to the corresponding carrying amount.

31. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in payables, deposits received and accrued charges are trade payables with an aged analysis at the balance sheet date as follows:

	2005	2004
	HK$'000	*HK$'000*
0 to 60 days	**77,166**	62,369
61 to 90 days	**400**	1,233
91 to 365 days	**686**	690
Over 365 days	**3,188**	3,191
	81,440	67,483

Included in payables is a deferred gain in respect of the disposal of a former subsidiary to an associate of HK$25,115,000 (2004: HK$25,115,000). Details are disclosed in note 40.

The directors consider that the fair value of payables at 31st December, 2005 approximates to the corresponding carrying amount.

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32. PROVISIONS

	Rehousing compensation HK$'000	Rental guarantee HK$'000	Total HK$'000
At 1st January, 2004	60,533	44,139	104,672
Exchange adjustments	–	5,087	5,087
Increase resulting from re-measurement	–	14,045	14,045
Additional provisions recognised	440	24,859	25,299
Reversal of provision in the year	(941)	–	(941)
Payment for the year	–	(38,801)	(38,801)
At 31st December, 2004	60,032	49,329	109,361
Exchange adjustments	1,360	(1,216)	144
Reversal of provision in the year	(41,136)	(2,226)	(43,362)
Payment for the year	(5,173)	(42,109)	(47,282)
At 31st December, 2005	**15,083**	**3,778**	**18,861**

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. During the year, some of the compensation arrangements have been settled with the Affected Owners, and a part of the provision has been reversed. In the opinion of the directors, the remaining compensation is expected to be paid within one year, depending on the progress of negotiation with the Affected Owners.

The provision for rental guarantee represents the estimated rental compensation to be paid 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.

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33. BORROWINGS

	2005	2004
	HK$'000	*HK$'000*
Bank loans		
– secured	**2,310,662**	2,897,699
– unsecured	**129,308**	250,024
Other loans – unsecured	**284**	61,704
Total borrowings	**2,440,254**	3,209,427
Less: Unamortised transaction costs on bank loans raised	**(10,283)**	(12,152)
Total net borrowings	**2,429,971**	3,197,275

The borrowings are repayable as follows:

	2005	2004
Bank loans:		
On demand or within one year	**917,655**	1,432,057
More than one year, but not exceeding two years	**608,581**	255,318
More than two years, but not exceeding three years	**50,040**	507,870
More than three years, but not exceeding four years	**139,784**	179,330
More than four years, but not exceeding five years	**64,509**	55,280
More than five years	**659,401**	717,868
	2,439,970	3,147,723
Other loans:		
More than two years, but not exceeding five years	**–**	61,704
More than five years	**284**	–
	284	61,704
Unamortised transaction costs on bank loans raised	**(10,283)**	(12,152)
Total	**2,429,971**	3,197,275
Less: Amounts due for settlement within 12 months shown under current liabilities	**(917,655)**	(1,432,057)
Amounts due for settlement after 12 months	**1,512,316**	1,765,218

The directors believe that the current interest rates represent prevailing market rates and therefore, the fair values of the bank borrowings at 31st December, 2005 estimated by discounting their future cash flows at the prevailing market borrowing rates approximate to the corresponding carrying amounts.

The average effective interest rates of the borrowings are ranging from 3.81% to 11.73% (2004: 0.87% to 9.96%).

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33. BORROWINGS *(Continued)*

The carrying amounts of the Group's borrowings are analysed as follows:

Denominated in	2005 HK$'000	2004 HK$'000	Interest rate
Bank loans			
Hong Kong dollars	**1,405,008**	1,785,011	Hong Kong Best Lending Rate plus 0.5% to 0.8%
Renminbi	**137,269**	60,094	10% markdown from the lending rate of People's Bank of China
Australian dollars	**68,542**	70,869	7.38% to 8.5%
New Zealand dollars	**765,561**	1,168,527	90 days bank bill bid rate plus 0.8% to 2.25%
Indonesian Rupiah	**53,307**	51,070	2.8% to 14.6%
	2,429,687	3,135,571	
Other loans			
New Zealand dollars	**284**	61,704	6.7% to 10.25%
	2,429,971	3,197,275	

As at the balance sheet date, the Group had the following undrawn borrowing facilities:

	2005 HK$'000	2004 HK$'000
Floating rate		
– expiring within one year	**606,578**	377,068
– expiring beyond one year	**805,683**	984,467
Fixed rate		
– expiring beyond one year	**–**	22,301
	1,412,261	1,383,836

34. AMOUNTS DUE TO MINORITY SHAREHOLDERS

Amounts due to minority shareholders of HK$141,949,000 (2004: Nil) are unsecured, interest-free and repayable on demand. Accordingly, the amounts are shown as current.

Amounts due to minority shareholders of HK$70,376,000 (2004: HK$91,897,000) are unsecured, and the minority shareholders have contracted not to demand repayment within twelve months. Accordingly, the amounts are shown as non-current. The amounts are interest-free and the average effective interest rates are 4.0%.

The directors consider that the fair value of the amounts at 31st December, 2005, estimated based on discounting the estimated cash flows at the prevailing market rate, approximates to the corresponding carrying amount.

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35. SHARE CAPITAL

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

	Number of shares		Nominal value	
	2005	2004	**2005**	2004
			HK$'000	*HK$'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 of the year	**511,538,607**	511,246,868	**51,154**	51,125
Shares issued upon exercise of warrants	**29,654,558**	291,739	**2,965**	29
Shares issued upon exercise of share options	**7,250,000**	–	**725**	–
At end of the year	**548,443,165**	511,538,607	**54,844**	51,154

All the new shares issued during the year rank pari passu in all respects with the existing shares.

36. 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, 2005, the aggregate par value of shares issuable against the outstanding warrants amounted to HK$9,107,355 (2004: HK$12,072,811) and the amount receivable by the Company upon full exercise of the warrants amounted to HK$125,681,503 (2004: HK$166,604,794).

Exercise in full of the rights attached to the 2008 warrants still outstanding at 31st December, 2005 would, under the present capital structure of the Company, result in the issue of 91,073,553 (2004: 120,728,111) additional shares of HK$0.1 each.

37. OTHER PAYABLES

The other payables are unsecured, interest-free and 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. The average effective interest rate of the amounts is 4.3%.

The directors consider that the fair value of other payables at 31st December, 2005, estimated based on discounting the estimated cash flows at the prevailing market rate, approximates to the corresponding carrying amount.

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38. DEFERRED TAXATION

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

	Accelerated tax depreciation	Revaluation on properties	Other temporary difference in respect of unamortised transaction costs on bank loans	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2004	95,365	17,882	–	(85,083)	28,164
Effect of changes in accounting policies *(note 2)*	–	73,012	–	–	73,012
At 1st January, 2004 (as restated)	95,365	90,894	–	(85,083)	101,176
Exchange adjustments	2,309	6,793	–	(9,102)	–
(Credit) charge to income for the year	(75,752)	–	2,127	74,472	847
Charge to equity for the year	–	64,490	–	–	64,490
At 31st December, 2004	21,922	162,177	2,127	(19,713)	166,513
Exchange adjustments	(901)	3,087	–	927	3,113
Charge (credit) to income for the year	21,790	240,585	(327)	(20,515)	241,533
Eliminated on disposal of subsidiary	(1,936)	(12,009)	–	–	(13,945)
At 31st December, 2005	**40,875**	**393,840**	**1,800**	**(39,301)**	**397,214**

For the purposes of balance sheet presentation, deferred tax assets and liabilities above have been offset and shown under non-current liabilities.

At 31st December, 2005, the Group has unused tax losses of HK$772,916,000 (2004: HK$756,512,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$134,926,000 (2004: HK$71,355,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$637,990,000 (2004: HK$685,157,000) due to the unpredictability of future profit streams.

At 31st December, 2005, the Group has deductible temporary differences in respect of impairment of properties of HK$167,686,000 (2004: HK$171,437,000). 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

39. ACQUISITION OF SUBSIDIARIES

On 2nd July, 2004, the Company acquired 55% of the Clearwater Property Holdings Limited and its subsidiaries through its non-wholly owned subsidiary, TTP, for a consideration of HK$5,000.

	2005	2004
	HK$'000	*HK$'000*
NET ASSETS ACQUIRED		
Investment properties	–	22,955
Property, plant and equipment	–	97,697
Inventories	–	600
Receivables, deposits and prepayments	–	38,077
Bank balances and cash	–	41
Payables, deposits received and accrued charges	–	(8,049)
Bank borrowings	–	(151,316)
	–	5
Satisfied by:		
Cash consideration	–	5

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

	2005	2004
	HK$'000	*HK$'000*
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries:		
Cash and cash equivalents acquired	–	41
Cash consideration	–	(5)
	–	36

The subsidiaries acquired in 2004 contributed HK$4,767,000 to the Group's turnover and incurred a loss of HK$5,506,000 for the year ended 31st December, 2004.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

40. DISPOSAL OF SUBSIDIARIES

	2005	2004
	HK$'000	*HK$'000*
NET ASSETS DISPOSED OF		
Investment properties	**63,168**	–
Properties, plant and equipment	**–**	8,373
Receivables, deposits and prepayments	**248**	250
Bank balances and cash	**7,823**	38,615
Payables, deposits received and accrued charges	**(2,590)**	(13,675)
Income tax payable	**(57)**	–
Deferred taxation	**(13,945)**	–
	54,647	33,563
Minority interests	**–**	(12,194)
Gain on disposal of subsidiaries	**11,818**	102,545
	66,465	123,914
Satisfied by:		
Cash	**66,465**	92,051
Consideration receivable	**–**	31,863
	66,465	123,914

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

	2005	2004
	HK$'000	*HK$'000*
Cash consideration	**66,465**	92,051
Cash and cash equivalents disposed of	**(7,823)**	(38,615)
	58,642	53,436
Gain on disposal of subsidiaries	**11,818**	102,545
Gain deferred and included in payables, deposits received and accrued charges *(note)*	**–**	(25,115)
Gain recognised in the income statement	**11,818**	77,430

The subsidiaries disposed of during the year have no significant contribution to the Group's turnover or profit for the year.

Note: On 6th May, 2004, the Group entered into an agreement with the other shareholders of Jacks Point Limited ("JPL"), a former subsidiary in which the Group had 60% interest, to dispose of its entire interest in JPL to an associate newly set up with those other shareholders of JPL. Upon completion, the Group retains 26% equity interest in JPL, accordingly, the gain on disposal attributable to the Group's remaining interest is deferred and included in payables, deposits received and accrued charges.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

41. CAPITAL COMMITMENTS

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

	2005	2004
	HK$'000	*HK$'000*
Authorised but not contracted for		
Hong Kong	**286,313**	300,000
PRC	**55,000**	82,000
	341,313	382,000
Contracted for but not provided for in the financial statements		
Hong Kong	**8,110**	284,595
PRC	**162,000**	234,000
New Zealand and Australia	**–**	221,992
	170,110	740,587

42. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31st December, 2005, the Group had commitments for future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**10,205**	9,313
In the second to fifth years inclusive	**32,457**	31,481
Over five years	**47,910**	56,283
	90,572	97,077

Leases are negotiated for the range of 1 to 21 years (2004: 1 to 14 years) with fixed monthly rentals.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

42. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

Certain of the Group's properties held for rental purposes have been disposed of during the year. All of the properties held have committed tenants for the range of 1 to 6 years (2004: 1 to 6 years).

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

	2005	2004
	HK$'000	*HK$'000*
Within one year	**89,465**	127,458
In the second to fifth year inclusive	**170,086**	227,281
Over five years	**33,134**	41,670
	292,685	396,409

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.

43. CONTINGENT LIABILITIES

At 31st December, 2005, 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$3,778,000 (2004: HK$49,329,000) had been made as at 31st December, 2005 as set out in note 32.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

44. PLEDGE OF ASSETS

At 31st December, 2005, 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 carrying value of HK$4,013,559,000 (2004: HK$3,476,697,000).

(b) Properties held for sale with an aggregate carrying value of HK$1,925,191,000 (2004: HK$1,610,719,000).

(c) Fixed and floating charges on properties under development with an aggregate carrying value of HK$10,022,000 (2004: HK$52,605,000).

(d) Prepaid lease payments with an aggregate carrying value of HK$332,441,000 (2004: HK$409,813,000).

(e) Motor vehicles with an aggregate carrying value of HK$7,097,000 (2004: Nil).

(f) Bank deposits of HK$183,395,000 (2004: HK$138,869,000).

(g) Listed shares of a subsidiary with assets principally comprised of investment properties and properties held for sales included in (a) and (b) above.

(h) Unlisted shares of certain subsidiaries with assets principally comprised of investment properties, properties under development and prepaid lease payments included in (a), (c) and (d) above.

45. SHARE-BASED PAYMENTS

The Company operates an employee share option scheme (the "Scheme") for the primary purpose of providing incentive to directors and eligible employees. 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, 2005, the number of shares in respect of which options had been granted and remained outstanding under the new scheme was 20,750,000, representing approximately 3.8% of the shares of the Company in issue at that date. The share options under the original scheme was expired during the year.

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 shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

45. SHARE-BASED PAYMENTS *(Continued)*

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.

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

Date of grant	Exercisable period	Exercise price *HK$*	Number of share options: Outstanding at 1.1.2005	Exercised during the year	Outstanding at 31.12.2005
Existing directors					
4.12.2000	4.12.2000 – 3.12.2010	1.44	15,500,000	–	15,500,000
Resigned director					
4.12.2000	4.12.2000 – 3.12.2010	1.44	12,500,000	(7,250,000)*	5,250,000
			28,000,000	(7,250,000)	20,750,000

* *The closing price of the shares of the Company immediately before the date on which the share options were exercised was HK$3.025 per share.*

Date of grant	Exercisable period	Exercise price *HK$*	Number of share options: Outstanding at 1.1.2004	Expired during the year	Outstanding at 31.12.2004
Directors					
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
			30,200,000	(2,200,000)	28,000,000

No options were granted or cancelled during the year.

46. RETIREMENT BENEFITS PLANS

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance of Hong Kong (the "ORSO Scheme") and a Mandatory Provident Fund Schemes (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance of Hong Kong 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 Scheme 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 Consolidated Financial Statements

For the year ended 31st December, 2005

46. 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 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$310,000 (2004: HK$143,000) has been used to reduce the level of contributions. The total cost charged to income of HK$2,899,000 (2004: HK$1,891,000) represents contribution payable to these schemes by the Group in respect of the current year.

47. POST BALANCE SHEET EVENTS

On 15th December, 2005, a 66% subsidiary of the Company, Trans Tasman Properties Limited ("TTP"), which is listed on New Zealand Stock Exchange Limited, offered to its shareholders the shares of a wholly-owned subsidiary of TTP, Asian Growth Properties Limited ("AGP") for the purpose of listing the shares of AGP on the Alternative Investment Market of The London Stock Exchange Plc. ("Offer"). Immediately after the completion of Offer on 13th January, 2006, the Group owned approximately 69.7% of AGP and 51.9% of TTP. The Offer did not result in any significant financial effect to the Group. Details of this transaction are set out in the circular of the Company dated 10th January, 2006.

On 20th December, 2005, the Group announced an offer to the shareholders of AGP to purchase their shares. The cash consideration paid by the Group under the offer was approximately HK$125.3 million. Immediately following the expiry date of acceptance of offer on 23rd January, 2006, the Company's interests in AGP has been increased to 80.4%. Details of this transaction are set out in the announcement of the Company dated 1st February, 2006.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

48. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2005	2004
	HK$'000	HK$'000
Short-term benefits	66,443	20,497
Post-employment benefits	1,080	1,015
Other long-term benefits	–	–
Share-based payments	–	–
	67,523	21,512

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

49. BALANCE SHEET INFORMATION OF THE COMPANY

Balance sheet information of the Company at the balance sheet date includes:

	2005	2004
	HK$'000	HK$'000
Unlisted investments in subsidiaries	136,586	136,586
Receivables, deposits and prepayments	200	245
Amounts due from subsidiaries	1,995,346	2,070,122
Bank balances and deposits	61,524	137,771
Total assets	2,193,656	2,344,724
Payable, deposits received and accrued charges	3,343	2,654
Amounts due to subsidiaries	71,341	78,940
Bank borrowings	73,238	210,000
Total liabilities	147,922	291,594
	2,045,734	2,053,130
Share capital *(note 35)*	54,844	51,154
Reserves	1,990,890	2,001,976
Total equity	2,045,734	2,053,130

The Company's loss for the year amounted to HK$6.6 million (2004: HK$3.3 million).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

50. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries, all of which are companies with limited liability, at 31st December, 2005 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$1 each	100	Investment holding
Indirect subsidiary				
TTP (Diamond Hill) Limited	Hong Kong	2 ordinary shares of HK$ 1 each	66	Property development
TTP (Sha Tin) Limited	Hong Kong	1 ordinary share of HK$ 1	66	Property development
TTP (Wanchai) Limited	Hong Kong	2 ordinary shares of HK$ 1 each	66	Property development
成都華商房屋開發有限公司 (Chengdu Huashang House Development Co., Ltd.)*	PRC	RMB136,000,000 registered capital	97	Property development
Concord Way Limited	Hong Kong	100 ordinary shares of HK$1 each	100	Property development
廣州市盈發房產開發有限公司 (Guangzhou Yingfat House Property Development Co., Ltd.) ("Yingfat")*	PRC	US$20,110,000 registered capital	100	Property development

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

50. PRINCIPAL 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
Handy View Company Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Property investment and garment trading
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	New Zealand	594,824,424 shares of no par value	66	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.

None of the subsidiaries has issued any debt securities at the end of the year.

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