S E A HOLDINGS LIMITED
爪哇控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 251)

ANNOUNCEMENT OF 2005 INTERIM RESULTS

The board of directors of S E A Holdings Limited ("the Company") announces that the Group's unaudited consolidated results for the six months ended 30th June, 2005 together with the comparative figures for the corresponding period in 2004 are as follows:

1. CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 30th June** **2005** ***HK$'000*** **(unaudited)**	2004 *HK$'000* (unaudited)
Revenue	*(iii)*	**664,845**	184,901
Other operating income		**19,826**	47,568
Changes in inventories and properties held for sale	*(iv)*	**(372,842)**	(28,227)
Staff costs		**(32,335)**	(29,553)
Depreciation and amortisation		**(2,575)**	(1,732)
Other operating expenses		**(72,568)**	(42,428)
Recognition of discount on acquisition/ negative goodwill		**15,077**	10,416
Fair value changes on investment properties		**777,978**	–
Net profit on disposal of investments		**397**	533
Net (loss) profit on disposal of properties		**(10,984)**	23,984
Finance costs		**(37,324)**	(68,695)
Share of results of associates		**258**	1,476
Share of results of jointly controlled entities		**(810)**	(2,301)
Profit before taxation	*(v)*	**948,943**	95,942
Taxation	*(vi)*	**(159,975)**	(602)
Profit for the period		**788,968**	95,340
Attributable to:			
Equity holders of the Company		**730,743**	66,471
Minority interest		**58,225**	28,869
		788,968	95,340
Dividend	*(vii)*	**21,313**	20,453
Earnings per share			
Basic	*(viii)*	**HK142.8 cents**	HK13.0 cents
Diluted		**HK124.2 cents**	HK12.0 cents

2. CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30th June, 2005 HK$'000 (unaudited)	31st December, 2004 HK$'000 (restated and audited)
Non-current Assets		
Investment properties	**3,310,091**	3,624,804
Property, plant and equipment	**260,145**	385,424
Prepaid lease payments	**366,776**	409,813
Negative goodwill	**–**	(225,164)
Interests in associates	**16,805**	18,340
Interests in jointly controlled entities	**–**	290
Other investments	**–**	95,467
Club memberships	**8,574**	–
Available-for-sale investments	**88,273**	–
Amount due from an associate	**30,780**	31,863
Amounts due from jointly controlled entities	**3,080**	2,790
Other loans receivable	**107,993**	74,996
	4,192,517	4,418,623
Current Assets		
Inventories	**4,134**	3,397
Properties held for sale	**2,817,568**	2,391,716
Other investments	**–**	796
Investments held for trading	**784**	–
Other loans receivable	**5,400**	8,244
Debtors, deposits and prepayments	**402,512**	50,131
Taxation recoverable	**1,595**	1,593
Amount due from an associate	**2,905**	2,087
Pledged bank deposits	**119,643**	138,869
Bank balances and deposits	**753,167**	732,316
	4,107,708	3,329,149
Current Liabilities		
Creditors, deposits and accrued charges	**231,563**	201,323
Sales deposits on properties for sale received	**57,829**	49,195
Provisions	**44,216**	109,361
Taxable payable	**48,493**	19,818
Borrowings – due within one year	**1,059,564**	1,432,057
	1,441,665	1,811,754
Net Current Assets	**2,666,043**	1,517,395
	6,858,560	5,936,018
Capital and Reserves		
Share capital	**51,342**	51,154
Reserves	**3,929,201**	3,020,986
Equity attributable to equity holders of the Company	**3,980,543**	3,072,140
Minority Interest	**838,883**	821,450
Total Equity	**4,819,426**	3,893,590
Non-current Liabilities		
Amounts due to minority shareholders	**114,015**	91,897
Borrowings – due after one year	**1,607,316**	1,765,218
Other payables – due after one year	**16,732**	18,800
Deferred taxation	**301,071**	166,513
	2,039,134	2,042,428
	6,858,560	5,936,018

Notes to the accounts:

(i) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

(ii) Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations ("Int") (hereinafter collectively referred to as "HKFRSs") issued by the HKICPA 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 income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interest 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 or prior accounting periods are prepared and presented.

Business Combinations

In the current period, 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. 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 (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 periods, 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 accumulated profits at 1st January, 2005.

Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. 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 32 and 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 net profit and loss for that period. From 1st January, 2005 onwards, the Group classifies and measures its debt 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.

On 1st January, 2005, the Group classified and measured its equity securities in accordance with the requirements of HKAS 39.

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.

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.

Owner-occupied Leasehold Interest in Land
In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, 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 period, 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 periods, investment properties under the 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 have been transferred to accumulated profits.

Deferred Taxes related to Investment Properties
In previous periods, 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 period, 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.

Club Memberships
Club memberships as intangible assets were required under HKAS 38 to be assessed at the individual asset level as having either finite or indefinite life. A finite-life intangible asset is amortised over its estimated useful life whereas an intangible asset with an indefinite useful life is carried at cost less accumulated impairment losses (if any). Intangible assets with indefinite lives are not subject to amortisation but are tested for impairment annually or more frequently when there are indications of impairment. In accordance with the transitional provisions in HKAS 38, the Group reassessed the useful lives of its club memberships on 1st January, 2005 and concluded that the club memberships have indefinite useful lives. The Group has applied the revised useful lives prospectively. Comparative figures for 2004 have not been restated.

Share-based Payments
In the current period, 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 period.

Summary of the effects of the changes in accounting policies

The effects of the adoption of new HKFRSs on the results for the six months ended 30th June, 2005 (unaudited) 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	–	–	–	(11,228)	(11,228)
Recognition of discount on acquisition	–	–	–	15,077	15,077
Fair value changes on investment properties	–	777,978	–	–	777,978
Increase in imputed interest expense on other payables	(404)	–	–	–	(404)
Increase in imputed interest expense on amounts due to minority shareholders	(1,870)	–	–	–	(1,870)
Increase in deferred tax on revaluation of investment properties	–	–	(130,773)	–	(130,773)
(Decrease) increase in profit for the period	(2,274)	777,978	(130,773)	3,849	648,780
Attributable to:					
Equity holders of the Company	(404)	773,882	(130,385)	3,849	646,942
Minority interest	(1,870)	4,096	(388)	–	1,838
	(2,274)	777,978	(130,773)	3,849	648,780

Analysis of increase (decrease) in profit for the period by the line items presented according to their nature:

	HKAS 32 & HKAS 39 *HK$'000*	HKAS 40 *HK$'000*	HKAS Int 21 *HK$'000*	HKFRS 3 *HK$'000*	Total effect *HK$'000*
Increase in recognition of discount on acquisition/ negative goodwill	–	–	–	3,849	3,849
Fair value changes on investment properties	–	777,978	–	–	777,978
Increase in finance costs	(2,274)	–	–	–	(2,274)
Increase in taxation	–	–	(130,773)	–	(130,773)
(Decrease) increase in profit for the period	(2,274)	777,978	(130,773)	3,849	648,780

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
Investments held for trading	–	–	–	–	–	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
Accumulated 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 interest	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 above.

(iii) Revenue

(a) Geographical segments

	Six months ended 30th June, 2005					
	New Zealand	**Australia**	**PRC**	**Hong Kong**	**Others**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External	**163,191**	**168,351**	**2,035**	**331,268**	**–**	**664,845**
SEGMENT PROFIT (LOSS)	**13,868**	**17,379**	**16,086**	**927,185**	**(341)**	**974,177**
Interest income						**16,973**
Recognition of discount on acquisition						**15,077**
Unallocated corporate expenses						**(19,408)**
Finance costs						**(37,324)**
Share of results of associates	**89**	**169**	**–**	**–**	**–**	**258**
Share of results of jointly controlled entities	**–**	**–**	**(810)**	**–**	**–**	**(810)**
Profit before taxation						**948,943**
Taxation						**(159,975)**
PROFIT AFTER TAXATION						**788,968**

	Six months ended 30th June, 2004					
	New Zealand	Australia	PRC	Hong Kong	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External	103,272	11,903	2,432	67,294	–	184,901
SEGMENT PROFIT (LOSS)	93,991	(8,574)	(3,361)	58,092	(436)	139,712
Interest income						45,100
Unallocated corporate expenses						(19,350)
Finance costs						(68,695)
Share of results of associates	507	969	–	–	–	1,476
Share of results of jointly controlled entities	–	–	(2,301)	–	–	(2,301)
Profit before taxation						95,942
Taxation						(602)
PROFIT AFTER TAXATION						95,340

(b) Business segments

	Six months ended 30th June, 2005						
	Property investment *HK$'000*	Garment manufacturing and trading *HK$'000*	Investment *HK$'000*	Property development *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE							
External	**74,030**	**16,365**	**1,695**	**567,640**	**5,115**	**–**	**664,845**
Inter-segment sales*	**1,502**	**–**	**–**	**–**	**–**	**(1,502)**	**–**
Total	**75,532**	**16,365**	**1,695**	**567,640**	**5,115**	**(1,502)**	**664,845**
SEGMENT PROFIT (LOSS)	**818,161**	**10**	**2,946**	**154,862**	**(1,802)**	**–**	**974,177**
Interest income							**16,973**
Recognition of discount on acquisition							**15,077**
Unallocated corporate expenses							**(19,408)**
Finance costs							**(37,324)**
Share of results of associates	**–**	**–**	**–**	**–**	**258**	**–**	**258**
Share of results of jointly controlled entities	**–**	**–**	**–**	**(810)**	**–**	**–**	**(810)**
Profit before taxation							**948,943**
Taxation							**(159,975)**
PROFIT AFTER TAXATION							**788,968**

	Six months ended 30th June, 2004						
	Property investment *HK$'000*	Garment manufacturing and trading *HK$'000*	Investment *HK$'000*	Property development *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE							
External	114,728	34,545	1,607	33,291	730	–	184,901
Inter-segment sales*	986	137	48	–	–	(1,171)	–
Total	115,714	34,682	1,655	33,291	730	(1,171)	184,901
SEGMENT PROFIT (LOSS)	103,303	23,737	6,599	7,467	(1,394)	–	139,712
Interest income							45,100
Unallocated corporate expenses							(19,350)
Finance costs							(68,695)
Share of results of associates	507	–	–	–	969	–	1,476
Share of results of jointly controlled entities	–	–	–	(2,301)	–	–	(2,301)
Profit before taxation							95,942
Taxation							(602)
PROFIT AFTER TAXATION							95,340

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

(iv) Changes in inventories and properties held for sale

	Six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Changes in inventories of finished goods and work-in-progress	**860**	1,334
Raw materials and consumables used	**(14,909)**	(9,015)
Changes in inventories of properties for sale	**(233,215)**	219,705
Costs incurred on properties under development for sale	**(125,578)**	(240,251)
	(372,842)	(28,227)

(v) Profit before taxation

	Six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Dividends income from listed investments	**(1,113)**	(1,124)
Interest income	**(16,973)**	(45,100)
Loss (gain) on disposal of investment properties	**11,035**	(23,960)
Gain on disposal of property, plant and equipment	**(51)**	(24)

(vi) Taxation

	Six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**28,623**	(100)
Income tax outside Hong Kong	**335**	550
	28,958	450
Deferred taxation	**131,017**	152
	159,975	602

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profits for the period. Taxation arising in jurisdictions other than Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.

(vii) Dividend

	Six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Interim – HK4 cents (2004: HK4 cents) per share	**21,313**	20,453

During the period, a dividend of HK6 cents (2004: final dividend for 2003 at HK6 cents) per share amounting to HK$30,739,000 (2004: final dividend for 2003 at HK$30,679,000) was paid to the shareholders as the final dividend for 2004.

The directors have determined that an interim dividend for 2005 of HK4 cents (2004: HK4 cents) per share be paid to the shareholders of the Company whose names appear in the Register of Members on 14th October, 2005.

(viii) Earnings per share

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

	Six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to the equity holders of the Company)	**730,743**	66,471

	Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	**511,886,456**	511,269,336
Effect of dilutive potential ordinary shares		
Options	**14,086,957**	7,574,468
Warrants	**62,519,201**	36,410,792
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**588,492,614**	555,254,596

(ix) Review by auditors

The interim financial report of the Company for the six months ended 30th June, 2005 has been reviewed by our auditors, Messrs. Deloitte Touche Tohmatsu, in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants and an unmodified review conclusion has been issued.

3. INTERIM DIVIDEND

The Board has declared an interim dividend of HK4 cents (2004: HK4 cents) per share for the six months period ended 30th June, 2005 payable on 17th October, 2005 to the shareholders of the Company whose names appear in the Register of Members on 14th October, 2005. Total dividends payable are HK$21.3 million and will be increased by HK$5.1 million as a result of ordinary shares being issued upon the exercise of all the outstanding warrants and share options' subscription rights.

4. SHARE REGISTRATION

The Register of Members of the Company will be closed from Wednesday, 12th October, 2005 to Friday, 14th October, 2005, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend, all transfers accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited, G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday, 10th October, 2005. Warrantholders who wish to participate in the interim dividend must exercise their subscription rights not later than 4:00 p.m. on Monday, 10th October, 2005.

5. MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Investments and Developments

Hong Kong

Rental income of the Group's flagship building for the period increased by 5.4% as a result of improved occupancy rate. As demand for office space and rental rate have began to show strong recovery, the Group expects the building's occupancy rate and rental income would improve further.

In May, the Group launched the sale of Phase 1 of Royal Green, a joint-venture development project with Henderson Land at Sheung Shui, which consists of 3 towers with a total of 922 units. About 69% of the units were sold at satisfactory price level and sale of the remaining units of the project is being planned.

The hotel development plan at 6-20 Leighton Road was submitted to the Town Planning Board and approval has been obtained this month.

A comprehensive development plan is being designed for the 20,092 sq.m. site at Fo Tan, near KCR Railway Station. It is expected the development will take 4-6 years to complete.

Construction of the site at Po Kong Village Road, Diamond Hill, has commenced. The development will be a 48 storey composite building consisting of 304 residential units and a seven-level podium of retail space, clubhouse and carparks. Construction is expected to be completed by the 3rd quarter of 2007.

Construction of the Wanchai Road project has commenced and the development is expected to be completed by mid-2007. Pre-sale of the development is planned for the 1st half of 2006.

China

Guangzhou

The Westmin Plaza, Phase II which comprises of four residential blocks, and one office block on top of the commercial podium. Construction of superstructure is progressing on schedule and pre-sale of the residential units is being planned. The whole development is expected to be completed by the end of 2006.

Chengdu

The construction of Overseas Exchange Square (to be renamed "Plaza Central"), which has a gross floor area of 91,511 sq.m. comprising of two 29-storey office blocks and a six-level retail podium, is near its completion. Leasing work for the retail and office space has commenced.

Leasing of the office units of the Group's joint venture project, New Century Plaza, continues.

Australia and New Zealand

The 1st half of 2005 has been a period of consolidation for TTP. TTP achieved a net surplus of NZD6.5 million compared to NZD12.2 million for the corresponding period. TTP's transition from a passive investor to an active investor and developer is now largely complete. The drop in earnings in this half year reflects the status of TTP's current development properties and projects, most of which are in progress rather than nearing completion. Net assets value per share as at 30th June, 2005 was NZ66.6 cents compared to NZ64.3 cents as at 31st December, 2004.

During the period TTP completed a number of significant transactions including:

1. sale of EDS House, Wellington;
2. settlement of Qantas House, Finance Centre, 28 Shortland Street and 69 The Mall sales;
3. sale of Air New Zealand head office development in Auckland;
4. sale of the remaining two Airpark 1 development sites;
5. purchase of a controlling interest in a 125 hectare development property at Woodend, Christchurch; and
6. purchase of a development site at 120 Halsey Street, Auckland Viaduct.

Garment Operation

Turnover, excluding quota sales, for the 1st six months improved from HK$10.7 million in 2004 to HK$16.4 million in 2005, an increase of 53.3%, and gross profit also showed slight improvement. The operation reported a net profit for the period of HK$0.2 million as compared to a loss of HK$0.2 million for same period 2004. With the abolition of quota system from 1st January, 2005, income from this sector will no longer exist, hence the drop in our revenue from the garment operation is expected.

CORPORATE CHANGES IN TTP

During the period under review, the Group acquired shares in TTP from the market and its interest in the Company increased from 61.31% to 63.05%.

FINANCIAL REVIEW

Turnover for the period ended 30th June, 2005 amounted to HK$664.8 million (2004: HK$184.9 million), a 259.5% increase over the same period last year. The increase was mainly due to following:

1. The sales proceeds recognized from the development project in Sheung Shui, Royal Green, amounted to HK$275.5 million.
2. The settlement of disposals of properties in New Zealand and Australia amounted to HK$130.2 million and HK$160.0 million respectively.
3. Absence of quota sales income after the abolishment of quota system.
4. Partially offset by the rental income foregone after the disposals of various investment properties in New Zealand and Australia, amounted to HK$50.7 million.

Net profit for the period amounted to HK$789.0 million (2004: HK$95.3 million), a 727.9% increase over the same period last year. The profit attributable to equity holders of the Company amounted to HK$730.7 million (2004: HK$66.5 million), a 998.8% increase over the same period last year. Reasons for the increase were mainly as follows:

1. The net profit derived from the Royal Green project amounted to HK$112.0 million.
2. A gain arising from change in fair value of investment properties amounted to HK$647.0 million.
3. Finance costs saving from New Zealand amounted to HK$39.9 million.
4. These gains were however partially offset by:
   – A loss on the disposal of investments properties in New Zealand as compared to a gain for same period last year. The difference amounted to HK$37.4 million.
   – A decrease in net rental profit after the settlement of various disposals of investment properties in New Zealand and Australia amounted to HK$25.3 million.
   – A decrease in interest income from New Zealand amounted to HK$28.0 million.

For the purpose of preparing the financial statements for the period under review, the Group has adopted the new and revised Hong Kong Financial Reporting Standards ("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 (ii) of Notes to the Condensed Financial Statements.

In compliance with the new HKFRSs, the Group revalued its investment properties as at 30th June, 2005 and accounted for a net attributable surplus of HK$647.0 million, representing revaluation surplus of HK$778.0 million less related deferred tax and minority interest of HK$131.0 million, in its profit and loss account for the period under review. Excluding this revaluation net surplus from the results, the Group's net profit for the period would be HK$142.0 million, an increase of HK$46.7 million or 49.0% over the same period last year.

Net Asset Value
The Group's total assets increased by HK$522.4 million, as at 30th June, 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 in Hong Kong. The Group's total borrowings decreased by HK$530.4 million, as at 30th June, 2005, after repayment of bank loans by TTP Group on its properties sold.

As at 30th June, 2005, the Group's total net asset to equity holders of the Company amounted to HK$3,980.5 million, an increase of 29.6% when compared to HK$3,072.1 million at 31st December, 2004. With a total number of ordinary shares in issue of 513,415,780 as at 30th June, 2005, the Net Asset Value per share to equity holders of the Company was HK$7.75 per share, a 29.0% increase over the Net Asset Value of HK$6.01 per share as at 31st December, 2004. The increase in Net Asset Value per share was mainly due to the profit retained for the period, reclassification of negative goodwill less deferred tax to retained earnings resulted from the implementation of new HKFRSs, exchange difference, and dividends paid.

Financial Resources and Liquidity
Shareholders' Equity
As at 30th June, 2005, the Group's equity attributable to equity holders of the Company amounted to HK$3,980.5 million (31st December, 2004: HK$3,072.1 million), an increase of 29.6%, which was mainly due to the profit retained for the period of HK$730.7 million, the reclassification of negative goodwill less deferred tax to retained earnings of HK$225.2 million, decreased in exchange difference of HK$22.3 million and dividends paid of HK$30.7 million.

Working Capital and Loan Facilities
As at 30th June, 2005, the Group's cash balance were HK$872.8 million (31st December, 2004: HK$871.2 million) and unutilized facilities, HK$1,631.4 million (31st December, 2004: HK$933.8 million). Its current (working capital) ratio improved from 1.84 at 31st December, 2004 to 2.85 at 30th June, 2005. The improvement was mainly due to the repayment of loans after the disposals of properties in New Zealand.

Pledge of Assets
Bank borrowings of the New Zealand Group, including TTP and its Australia subsidiary, AGP, are denominated in NZD and AUD respectively. As at 30th June, 2005, the New Zealand Group's total bank loans drawn were HK$771.1 million, which were secured mainly by properties valued at HK$1,013.1 million.

As at 30th June, 2005, the Group's subsidiary in Indonesia had drawn bank loans amounted to HK$51.3 million. The loans which were secured mainly by properties valued at HK$19.9 million and pledged fixed deposits of HK$43.6 million.

For the Group companies operating in Hong Kong and China, borrowings as at 30th June, 2005 amounted to HK$1,782.0 million, which were secured by properties valued at HK$4,377.3 million.

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

Gearing ratio as at 30th June, 2005, calculated on the basis of net interest bearing debt minus cash, as a percentage of total property assets reduced from 34% to 27%. The improvement was mainly due to the significant repayment of loans after the disposal of properties in New Zealand.

Loan maturity profile
As at 30th June, 2005, maturities of the Group's outstanding borrowings were as follows:

	30th June, 2005 *HK$ million*	31st December, 2004 *HK$ million*
Due within 1 year	**1,059.6**	1,432.1
1 – 2 years	**163.2**	253.4
3 – 5 years	**754.7**	736.9
Over 5 years	**689.4**	774.9
	2,666.9	3,197.3

Treasury policies
The Group adheres to prudent treasury policies. As at 30th June, 2005 about 98% 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.

OUTLOOK
During the first half of 2005, the Hong Kong economy continued the recovery momentum of last year. The opening of Disney Land and the continued influx of Mainland visitors to Hong Kong, would no doubt have a positive impact on the local consumer market and retail trade, which in turn would boost the local consumer and business confidence. These positive factors, however, are partially offset by the recent rises in interest rate.

Nevertheless, with the good underlying property demand, stable Government land supply policy and acceptable mortgage affordability, the Group anticipates the property market to sustain a healthy growth in the foreseeable future. Accordingly, we expert our sales for the 2nd half of the year to remain satisfactory.

Through a number of key acquisitions and investments, the Group is growing on an even stronger platform for future expansion. The projects now being developed by the Group are progressing according to plan, and the management team is working hard to ensure the quality of the projects is of high standard and their completion timely. We are positive of the business outlook of the Company.

MANAGEMENT AND STAFF
The Group had 207 employees at 30th June, 2005 compared with 170 for the corresponding period. Salary and benefits are reviewed at least annually both in response to market conditions and trends and in conjunction with individual performance appraisals. Fringe benefits including study and training allowances, and voluntary employer contributions to retirement schemes are offered to most employees. The Company operates an employee share option scheme with options granted to the Group employees on a discretionary basis by the Board.

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

6. DEALINGS IN THE COMPANY'S LISTED SECURITIES

During the six months ended 30th June, 2005, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares or warrants.

7. CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Main Board Listing Rules throughout the review period, except for deviation from code provision A.2.1, which states that the roles of the chairman and chief executive officer are required to be separated and not to 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 of the Company currently oversees the management and the Group's business. The Board considers 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.

As at the date of this announcement, the Directors are as follows:–

Executive directors:
Lu Wing Chi, Tse Man Bun, Lu Wing Yuk, Andrew, Lu Wing Lin, Lincoln Lu and Lambert Lu.

Non-executive director:
Lu Yong Lee

Independent non-executive directors:
Walujo Santoso, Wally, Leung Hok Lim and Chung Pui Lam

By order of the Board
Lu Wing Chi
Chairman and Managing Director

Hong Kong, 15th September, 2005

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.