



**S E A HOLDINGS LIMITED**  
**爪哇控股有限公司\***

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

**ANNOUNCEMENT OF 2006 INTERIM RESULTS**

The board of directors (the “Board”) of S E A Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2006 together with the comparative figures for the corresponding period in 2005 are as follows:

**1. CONDENSED CONSOLIDATED INCOME STATEMENT**

		<b>Six months ended 30th June,</b>	
		<b>2006</b>	<b>2005</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	<i>(iii)</i>	<b>487,283</b>	664,845
Other income		<b>25,706</b>	19,826
Operating costs:			
Property and related costs	<i>(iv)</i>	<b>(234,129)</b>	(372,842)
Staff costs		<b>(33,304)</b>	(32,335)
Depreciation and amortisation		<b>(1,830)</b>	(2,575)
Other expenses		<b>(52,217)</b>	(72,568)
Loss on disposal of investment properties		—	(11,035)
Net gain on disposal of investments		<b>10,452</b>	448
Recognition of discount on acquisition/gain on deemed acquisition		<b>54,597</b>	15,077
Share of results of associates		<b>1,917</b>	258
Share of results of jointly controlled entities		—	(810)
Finance costs		<b>(43,682)</b>	(37,324)
Fair value changes on investment properties		<b>505,831</b>	777,978
		<hr/>	<hr/>
Profit before taxation	<i>(v)</i>	<b>720,624</b>	948,943
Income tax expense	<i>(vi)</i>	<b>(142,996)</b>	(159,975)
		<hr/>	<hr/>
Profit for the period		<b>577,628</b>	788,968
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Attributable to:			
Equity holders of the Company		<b>524,087</b>	730,743
Minority interests		<b>53,541</b>	58,225
		<u>577,628</u>	<u>788,968</u>
Dividends paid	(vii)	<b>34,705</b>	30,739
Earnings per share			
Basic	(viii)	<b>HK93.8 cents</b>	HK142.8 cents
Diluted		<b>HK84.1 cents</b>	HK124.2 cents

## 2. CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30th June, 2006 <i>HK\$'000</i> (unaudited)	As at 31st December, 2005 <i>HK\$'000</i> (Audited)
<b>Non-current Assets</b>		
Investment properties	4,563,885	4,018,159
Property, plant and equipment	46,210	31,740
Prepaid lease payments	317,973	327,365
Interests in associates	15,788	15,330
Interests in jointly controlled entities	—	—
Club memberships	8,574	8,574
Available-for-sale investments	31,001	81,591
Amount due from an associate	26,930	34,172
Amounts due from jointly controlled entities	2,790	2,790
Other loans receivable	60,594	60,963
	<u>5,073,745</u>	<u>4,580,684</u>
<b>Current Assets</b>		
Inventories	1,403	2,259
Properties held for sale	2,845,836	2,919,250
Prepaid lease payments	5,076	5,076
Held for trading investments	407	784
Other loans receivable	32,708	19,390
Receivables, deposits and prepayments	131,940	189,720
Income tax recoverable	1,557	1,544
Amounts due from jointly controlled entities	3,310	3,310
Pledged bank deposits	124,155	183,395
Restricted bank balance and deposits	226,560	—
Bank balances and deposits	809,533	795,707
	<u>4,182,485</u>	<u>4,120,435</u>

<b>Current Liabilities</b>		
Payables, deposits received and accrued charges	220,551	313,797
Sales deposits on properties for sale received	353,501	133,659
Provisions	16,749	18,861
Income tax payable	96,969	63,610
Borrowings — due within one year	740,329	917,655
Amounts due to minority shareholders	84,287	141,949
	<u>1,512,386</u>	<u>1,589,531</u>
<b>Net Current Assets</b>	<u>2,670,099</u>	<u>2,530,904</u>
	<u>7,743,844</u>	<u>7,111,588</u>
<b>Capital and Reserves</b>		
Share capital	58,267	54,844
Reserves	4,813,821	4,299,577
	<u>4,872,088</u>	<u>4,354,421</u>
Equity attributable to equity holders of the Company	4,872,088	4,354,421
Minority interests	579,876	760,679
	<u>5,451,964</u>	<u>5,115,100</u>
<b>Non-current Liabilities</b>		
Amounts due to minority shareholders	65,914	70,376
Borrowings — due after one year	1,701,207	1,512,316
Other payables — due after one year	16,986	16,582
Deferred taxation	507,773	397,214
	<u>2,291,880</u>	<u>1,996,488</u>
	<u>7,743,844</u>	<u>7,111,588</u>

Notes to the accounts:

(i) **BASIS OF PREPARATION**

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

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2005.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by HKICPA, which are effective for accounting periods beginning either on or after 1st December, 2005\* or 1st January, 2006\*\*.

HKAS 19 (Amendment)	Actuarial Gain and Losses, Group Plans and Disclosures**
HKAS 21 (Amendment)	Net Investment in a foreign operation**
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions**
HKAS 39 (Amendment)	The Fair Value Option**
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts**
HKFRS 6	Exploration for the Evaluation of Mineral Resources**
HK (IFRIC) — INT 4	Determining whether an Arrangement contains a lease**
HK (IFRIC) — INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**
HK (IFRIC) — INT 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment*

The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company are still not in the position to reasonably estimate the impact that may arise from the application of these standards, amendment or interpretations.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK (IFRIC) — INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK (IFRIC) — INT 8	Scope of HKFRS 2 <sup>3</sup>
HK (IFRIC) — INT 9	Reassessment of Embedded Derivatives <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006.

(iii) SEGMENT INFORMATION

(a) Geographical segments

*Six months ended 30th June, 2006*

	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	124,007	19,990	738	342,548	—	—	487,283
Inter-segment sales*	—	—	—	23,824	—	(23,824)	—
Total	<u>124,007</u>	<u>19,990</u>	<u>738</u>	<u>366,372</u>	<u>—</u>	<u>(23,824)</u>	<u>487,283</u>
<i>* Inter-segment sales are charged at prevailing market rates.</i>							
SEGMENT PROFIT (LOSS)	<u>3,830</u>	<u>2,550</u>	<u>113,076</u>	<u>600,402</u>	<u>(380)</u>	<u>—</u>	719,478
Interest income							21,700
Recognition of discount on acquisition							54,597
Unallocated corporate expenses							(33,386)
Share of results of associates	1,917	—	—	—	—	—	1,917
Finance costs							(43,682)
Profit before taxation							720,624
Income tax expense							(142,996)
PROFIT FOR THE PERIOD							<u>577,628</u>

*Six months ended 30th June, 2005*

	New Zealand <i>HK\$'000</i>	Australia <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE							
External	163,191	168,351	2,035	331,268	—	—	664,845
Inter-segment sales*	—	—	—	17,984	—	(17,984)	—
Total	<u>163,191</u>	<u>168,351</u>	<u>2,035</u>	<u>349,252</u>	<u>—</u>	<u>(17,984)</u>	<u>664,845</u>

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

SEGMENT PROFIT (LOSS)	<u>13,868</u>	<u>17,379</u>	<u>16,086</u>	<u>927,185</u>	<u>(341)</u>	<u>—</u>	974,177
Interest income							16,973
Recognition of discount on acquisition							15,077
Unallocated corporate expenses							(19,408)
Share of results of associates	89	169	—	—	—	—	258
Share of results of jointly controlled entities	—	—	(810)	—	—	—	(810)
Finance costs							<u>(37,324)</u>
Profit before taxation							948,943
Income tax expense							<u>(159,975)</u>
PROFIT FOR THE PERIOD							<u>788,968</u>

**(b) Business segments***Six months ended 30th June, 2006*

	Property investment <i>HK\$'000</i>	Garment manufacturing and trading <i>HK\$'000</i>	Investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE							
External	55,574	14,150	797	416,762	—	—	487,283
Inter-segment sales*	2,586	—	—	—	—	(2,586)	—
Total	<u>58,160</u>	<u>14,150</u>	<u>797</u>	<u>416,762</u>	<u>—</u>	<u>(2,586)</u>	<u>487,283</u>
<i>* Inter-segment sales are charged at prevailing market rates.</i>							
SEGMENT PROFIT (LOSS)	<u>558,561</u>	<u>(673)</u>	<u>12,198</u>	<u>149,503</u>	<u>(111)</u>	<u>—</u>	719,478
Interest income							21,700
Recognition of discount on acquisition							54,597
Unallocated corporate expenses							(33,386)
Share of results of associates	—	—	—	—	1,917	—	1,917
Finance costs							<u>(43,682)</u>
Profit before taxation							720,624
Income tax expense							<u>(142,996)</u>
PROFIT FOR THE PERIOD							<u>577,628</u>

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	<u>75,532</u>	<u>16,365</u>	<u>1,695</u>	<u>567,640</u>	<u>5,115</u>	<u>(1,502)</u>	<u>664,845</u>

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

SEGMENT PROFIT (LOSS)	<u>818,161</u>	<u>10</u>	<u>2,946</u>	<u>154,862</u>	<u>(1,802)</u>	<u>—</u>	974,177
Interest income							16,973
Recognition of discount on acquisition							15,077
Unallocated corporate expenses							(19,408)
Share of results of associates	—	—	—	—	258	—	258
Share of results of jointly controlled entities	—	—	—	(810)	—	—	(810)
Finance costs							<u>(37,324)</u>
Profit before taxation							948,943
Income tax expense							<u>(159,975)</u>
PROFIT FOR THE PERIOD							<u>788,968</u>

(iv) PROPERTY AND RELATED COSTS

	Six months ended 30th June, 2006 HK\$'000	2005 HK\$'000
Changes in inventories of finished goods and work-in-progress	181	860
Raw materials and consumables used	(11,528)	(14,909)
Changes in inventories of properties for sale	(73,414)	(233,215)
Costs incurred on properties under development for sale	<u>(149,368)</u>	<u>(125,578)</u>
	<u>(234,129)</u>	<u>(372,842)</u>



(v) **PROFIT BEFORE TAXATION**

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit before taxation has been arrived at after charging (crediting):		
Interest earned on bank deposits	(19,108)	(11,667)
Other interest income	(2,592)	(5,306)
	<u>(21,700)</u>	<u>(16,973)</u>
Dividend income from equity investments	(345)	(1,113)
Loss (gain) on disposal of property, plant and equipment	91	(51)
	<u>91</u>	<u>(51)</u>

(vi) **INCOME TAX EXPENSE**

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The charge comprises:		
Hong Kong Profits Tax	33,761	28,623
Income tax outside Hong Kong	15	335
	<u>33,776</u>	<u>28,958</u>
Deferred taxation	109,220	131,017
	<u>142,996</u>	<u>159,975</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 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 PAID**

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim — HK5 cents (2005: HK4 cents) per share	<u>29,134</u>	<u>21,313</u>

During the period, a dividend of HK6 cents (2005: final dividend for 2004 at HK6 cents) per share amounting to HK\$34,705,000 (2005: final dividend for 2004 at HK\$30,739,000) was paid to the shareholders as the final dividend for 2005.

On 25th September, 2006, the directors have approved that an interim dividend for 2006 of HK5 cents (2005: HK4 cents) per share be paid to the shareholders of the Company whose names appear in the Register of Members on Friday, 20th October, 2006.

### (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:

	<b>Six months ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings for the purposes of basic and diluted earnings per share	<b><u>524,087</u></b>	<u>730,743</u>
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>558,500,617</b>	511,886,456
Effect of dilutive potential ordinary shares		
Options	<b>9,872,646</b>	14,086,957
Warrants	<b><u>54,723,422</u></b>	<u>62,519,201</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b><u>623,096,685</u></b>	<u>588,492,614</u>

### (ix) REVIEW BY AUDITORS

The interim financial report of the Company for the six months ended 30th June, 2006 has been reviewed by our auditors, Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants (“DTT”) 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 HK5 cents (2005: HK4 cents) per share for the six months ended 30th June, 2006 payable on Monday, 23rd October, 2006 to the shareholders of the Company whose names appear in the Register of Members on Friday, 20th October, 2006. Total dividends payable amount to HK\$29,134,000 and will be increased by HK\$3,880,000 as a result of additional shares being issued upon exercise of the subscription rights of all the outstanding warrants and share options.

#### 4. SHARE REGISTRATION

The Register of Members of the Company will be closed from Tuesday, 17th October, 2006 to Friday, 20th October, 2006, 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 of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 16th October, 2006. Warrantheolders who wish to be entitled to the interim dividend must exercise their subscription rights not later than 4:00 p.m. on Monday, 16th October, 2006.

#### 5. MANAGEMENT DISCUSSION AND ANALYSIS

##### BUSINESS REVIEW

##### Property Investments and Developments

##### Hong Kong

##### *Dah Sing Financial Centre, Gloucester Road, Wanchai*

Gross rental income generated for the six months ended 30th June, 2006 was HK\$33.6 million, compared with HK\$30.5 million for the corresponding period in 2005. The rise in income resulted from an improved occupancy rate from 86.4% to 87.6% and the increase in average base rent of 12.5%. The Group expects a better rental return from lease renewals and new leases negotiated in the second half of the year.

##### *Royal Green, Sheung Shui*

Due to the continued rise in interest rate in the United States, sentiment in the property market for the past six months was low, and therefore there were no major sales promotion programs launched for this joint development project with Henderson Land. Turnover recognized for the period represented the completion of sales made in 2005 amounted to HK\$285.3 million, which contributed a net profit of HK\$143.9 million. Sale of the remaining units of the project was relaunched in July 2006 and as at the date of this Report, 148 units were sold in this sales launch. So far, approximately two-thirds of the units in Royal Green have been sold.

##### *The Morrison, Wanchai*

In April 2006, the Group completed the purchase of an adjoining property at 2 Morrison Hill Road for HK\$77.2 million, which was financed by an increase in the existing bank loan facility. Upon amalgamation of the two sites, the total marketing area of the development would be increased to approximately 70,900 square feet, and an additional four floors to the existing development would be added.

Foundation work was completed and superstructure work contracts have been awarded. The pre-sale of the project, now known as "The Morrison", is expected to commence in the fourth quarter of 2006. The development is expected to be completed by the third quarter of 2007.

### *Leighton Road, Causeway Bay*

The Leighton Road development comprises two adjoining lots, which are currently under construction. It is intended that the site will be developed into a 30-storey hotel with 206 guest rooms. The proposed hotel is scheduled to be completed by the end of 2008.

### *Po Kong Village Road, Diamond Hill*

The site will be developed into a 48-storey composite building, with a total marketing area of approximately 258,100 square feet, comprising 304 residential units above a 7-level retail podium, a clubhouse and 156 car parking spaces. Pre-sale of the residential units is planned for early 2007. The superstructure construction work has already commenced since April 2006 and the project is expected to be completed by the fourth quarter of 2007.

### *Fo Tan, Sha Tin*

Planning works for the development of the Fo Tan project continue. Several master layout plans have been submitted to the Town Planning Board for consideration. The property is currently leased out as an industrial site.

## **China**

### *Guangzhou*

The Westmin Plaza Phase II project, which has a total construction floor area of approximately 118,500 square meters, comprising four residential blocks and one office block on top of a commercial podium, is expected to be completed in early 2007. Nearly 87% of the planned 646 residential units have been sold to date, sales proceeds of which will be recognized in the income statement of 2007 upon completion of the development.

### *Chengdu*

Leasing work for the office space is in progress. Subsequent to the period end, all of the remaining retail space has been leased to a reputable nation-wide departmental store chain under a long-term lease. Stable recurrent income from this property is expected.

## **Australia and New Zealand**

Trans Tasman Properties Limited (“TTP”) reported a net deficit for the six months ended 30th June, 2006 of NZ\$2.6 million compared to a net surplus of NZ\$6.5 million for the corresponding period in 2005. The deficit was mainly caused by the decrease in the property sales activities in current period as most of the current development properties and projects are still under construction, thereby affecting revenue stream.

Following the completion of the sale of 97.5% of its investment in Asian Growth Properties Limited (“AGP”) by an off-market pro-rata share buyback and the subsequent cancellation of TTP shares, the shareholders’ equity of the Company decreased from NZ\$394.1 million to NZ\$102.4 million as at 30th June, 2006, with reported net asset value per share decreased from NZ 67.9 cents to NZ 66.1 cents.

## **Garment Operation**

Due to the general softening of the garment sector, turnover generated from the garment business for the six months ended 30th June, 2006, was HK\$14.1 million which, compared to HK\$16.4 million for the same period in 2005, represented a drop of 14%. The operation reported a small loss of HK\$0.5 million as compared to a profit of HK\$0.2 million for the same period in 2005. Pricing pressure is expected to continue. Management will continue to exercise tighter control over costs to improve profit margin and strengthen competitiveness.

## **CORPORATE CHANGES IN TTP**

As the shares in TTP continued to be traded below its net asset value, the Group continued to acquire shares in TTP from the market. Subsequent to the period end, the Group made an unconditional offer to acquire all of the remaining voting shares in TTP for NZ\$0.55 per share. The offer has been extended to 10th October, 2006. So far, the Group's interest in TTP has further increased to 78.05%.

## **CORPORATE CHANGES IN AGP**

To provide the TTP public shareholders who exchanged shares in TTP for AGP shares with an opportunity to realize their investment in AGP, the Group made a cash offer to them at NZ\$1.00 per AGP share (which was below its net asset value) and acquired approximately 23.3 million shares in AGP within the first five trading days of the AGP shares being listed on the AIM of the London Stock Exchange in mid January 2006. As the shares in AGP were also traded below their net asset value, the Group acquired further AGP shares from the market during the period under review and the Group's effective interest in AGP increased to 85.42% as at the date of this report. The share purchases had resulted in a discount on acquisition of HK\$53.1 million, which was recognized in the income statement.

To achieve a transparent and non-competitive investment strategy for the Company and AGP in Asia, the Group will transfer to AGP its aggregate attributable interest in six properties and development projects, namely Dah Sing Financial Centre, 28/F., 9 Queen's Road Central, Leighton Road, Royal Green, Plaza Central and Westmin Plaza Phase II, valued by an independent valuer at HK\$6,425 million for a consideration of about HK\$4,430 million. The said consideration is based on the net asset value of the relevant companies which hold the above six properties. Following the completion of the transfer in early October 2006, the Group will hold all its material property assets in Hong Kong and Mainland China through AGP and the Group will have about 96.42% effective shareholding interest in AGP. Details of the transfer are contained in the Company's announcement dated 18th September, 2006.

## **FINANCIAL REVIEW**

Turnover for the six months ended 30th June, 2006 amounted to HK\$487.3 million (2005: HK\$664.8 million), which represented a 26.7% decrease over the same period last year. The decrease was mainly the result of the Group implementing its strategy to dispose of a number of TTP's investment and development properties in New Zealand and Australia in 2005, but less significant disposals were made in the current period.

Net profit attributable to equity holders of the Company for the period amounted to HK\$524.1 million (2005: HK\$730.7 million), representing a 28.3% decrease compared with the corresponding period last year. The decrease was mainly due to the moderate revaluation surplus recognized on the investment properties in the current period compared with the substantial surplus of HK\$778.0 million recognized in relation to the first time adoption of the new Hong Kong Financial Reporting Standards in 2005.

## Financial Resources and Liquidity

### Shareholders' Equity

As at 30th June, 2006, the Group's equity attributable to equity holders of the Company amounted to HK\$4,872.1 million (31st December, 2005: HK\$4,354.4 million), an increase of 11.9% over last year. The net asset value per share to equity holders of the Company was HK\$8.36 (31st December, 2005: HK\$7.94).

### Working Capital and Loan Facilities

As at 30th June, 2006, the Group's cash balance was HK\$1,160.2 million (31st December, 2005: HK\$979.1 million) and unutilized facilities were HK\$1,238.7 million (31st December, 2005: HK\$1,412.2 million). Its current (working capital) ratio improved from 2.59 as at 31st December, 2005 to 2.77 as at 30th June, 2006.

Gearing ratio as at 30th June, 2006, calculated on the basis of net interest bearing debts minus cash as a percentage of total property assets, reduced from 19.9% to 16.5%.

As at 30th June, 2006, maturities of the Group's outstanding borrowings were as follows:

	<b>30th June, 2006</b> <i>HK\$ million</i>	31st December, 2005 <i>HK\$ million</i>
Due		
Within 1 year	<b>740.3</b>	917.7
1-2 years	<b>866.5</b>	608.6
3-5 years	<b>214.2</b>	254.3
Over 5 years	<b>620.5</b>	649.4
	<u><b>2,441.5</b></u>	<u>2,430.0</u>

### Pledge of Assets

For the Group's subsidiaries operating in Hong Kong and Mainland China, the total bank loans drawn as at 30th June, 2006 amounted to HK\$2,113.2 million (31st December, 2005: HK\$1,542.0 million), which were secured by properties valued at HK\$5,739.2 million (31st December, 2005: HK\$4,783.0 million).

Certain subsidiaries of the Group operating in New Zealand and Australia have pledged their properties with an aggregate carrying value of HK\$462.4 million (31st December, 2005: HK\$1,498.0 million) to secure the total bank loans of HK\$272.0 million (31st December, 2005: HK\$834.4 million).

In Indonesia, the total bank loans drawn by certain subsidiaries as at 30th June, 2006 amounted to HK\$56.3 million (31st December, 2005: HK\$53.3 million), which were secured by fixed deposits of HK\$45.7 million (31st December, 2005: HK\$44.5 million).

### **Treasury policies**

The Group adheres to prudent treasury policies. As at 30th June, 2006, all of the Group's borrowings were raised through its wholly-owned or substantially controlled subsidiaries. Currently, borrowings are primarily denominated in Hong Kong dollars and mainly based on floating rate terms. There were no derivative financial instruments employed.

### **Management and Staff**

The Group had 182 employees at 30th June, 2006. 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 its staff for their hard work and contribution to the Group, and the customers and tenants for their continuing support.

### **Outlook**

The Hong Kong economy in the first half of 2006 has been strong despite pressure from increased interest rates and high energy prices. The recent decision by the Federal Reserve in the U.S. to hold the Fed rate unchanged at its present level on the back of slowing housing markets and moderate inflationary expectations has shed light on a more stabilized interest rates environment in the near term. Furthermore, the drop in oil and commodity prices recently has also helped in alleviating some pressure on costs. With the anticipation of a solid external trade performance, strong internal consumption and an improved unemployment situation, the outlook for Hong Kong's economy in the second half of the year should remain positive, though its GDP growth may moderate. Therefore, we expect that demand for residential properties should remain stable.

China has continued to grow at fast pace. The macro-economic measures introduced in June this year by the authorities in the Mainland, to curb rapid increases in housing prices and regulate property activities, have begun to take effect, as witnessed by a slow-down in property transactions. However, we believe that these measures should have little adverse effect on the overall property market in China in the medium term. On the other hand, they would help promote the market to become a more healthy and sustainable one in the long run.

Rental rates for good quality office premises in Hong Kong are expected to rise further in the second half of the year in view of the continuing strong demand for office space, which will no doubt benefit the Group's rental income.

In the months ahead, we will focus on the planned completion and pre-sales of various development projects on hand and will also actively look for suitable investment opportunities within the Asian Pacific region in order to strengthen our asset base. The Group is well positioned to take advantage of the business opportunities as they arise and to expand its business growth to generate increased returns for shareholders.



## 6. DEALINGS IN THE COMPANY'S LISTED SECURITIES

During the six months ended 30th June, 2006, the Company did not redeem any of its listed shares or warrants nor did the Company and its subsidiaries purchase or sell any of the Company's listed shares or warrants.

## 7. CORPORATE GOVERNANCE

Throughout the period for the six months ended 30th June, 2006, the Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except for 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 in which the Group operates.

## 8. AUDIT COMMITTEE

In consultation with DTT, the audit committee has reviewed with management the consolidated results of the Company for the period ended 30th June, 2006.

As at the date of this announcement, the Board comprises the following members:

*Executive directors:—*

Lu Wing Chi, Lincoln Lu, Lambert Lu, Lu Wing Yuk, Andrew and Tse Man Bun

*Non-executive director:—*

Lam Sing Tai

*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, 25th September, 2006

*\* For identification purpose only*

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