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 ANNUAL RESULTS

The board of directors (the "Board") of S E A Holdings Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the financial year ended 31st December, 2005 together with the comparative figures of 2004 are as follows:

1. CONSOLIDATED INCOME STATEMENT

	Notes	2005 HK$'000	2004 HK$'000
Revenue	*(iii)*	**940,163**	474,722
Other income		**59,734**	79,923
Operating costs			
Property and related costs	*(iv)*	**(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		**(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		**(75,869)**	(121,060)
Fair value changes on investment properties		**1,251,078**	–
Profit before taxation	*(v)*	**1,436,388**	145,731
Income tax expense	*(vi)*	**(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	*(vii)*	**54,556**	51,158
Earnings per share	*(viii)*		
Basic		**HK204.8 cents**	HK23.6 cents
Diluted		**HK179.9 cents**	HK21.6 cents

2. CONSOLIDATED BALANCE SHEET

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

	As at 31st December	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
Capital and Reserves		
Share capital	**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	**70,376**	91,897
Borrowings – due after one year	**1,512,316**	1,765,218
Other payables – due after one year	**16,582**	18,800
Deferred taxation	**397,214**	166,513
	1,996,488	2,042,428
	7,111,588	5,936,018

Notes to the accounts:

(i) BASIS OF PREPARATION

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 ("HKICPA"). 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.

(ii) 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 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 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 described below:–

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.

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 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.

At 1st January, 2005 the Group reclassified its trading securities with carrying amount of HK$796,000 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.

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.

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]

[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

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 *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 finance costs	(4,548)	–	–	–	(4,548)
Increase in income tax expenses	–	(99,322)	(141,263)	–	(240,585)
(Decrease) increase in profit for the year	(4,548)	1,151,756	(141,263)	(9,202)	(996,743)

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 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

Year ended 31st December, 2005

	New Zealand *HK$'000*	Australia *HK$'000*	China *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**
RESULTS							
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**

Year ended 31st December, 2004

	New Zealand *HK$'000*	Australia *HK$'000*	China *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
RESULTS							
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

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

(b) Business segments

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

(iv) 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)

(v) PROFIT BEFORE TAXATION

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after crediting:		
Dividends income from equity investments	**1,771**	2,005
Interest income	**44,884**	67,710
Gain on disposal of property, plant and equipment	**84**	–

(vi) INCOME TAX EXPENSE

	2005	2004
	HK$'000	*HK$'000*
The charge comprises:		
Current year		
Hong Kong	**44,389**	519
Other jurisdictions	**1,342**	790
	45,731	1,309
Deferred tax		
Current year	**241,533**	847
	287,264	2,156

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

(vii) 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

(viii) 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
	HK$'000	*HK$'000*
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

3. TRANSFER FROM RESERVES TO CONSOLIDATED INCOME STATEMENT

	2005	2004
	HK$'000	*HK$'000*
Investment revaluation reserve released upon disposal of available-for-sale investments	**866**	–
Investment property revaluation reserve released upon disposal of investment properties	–	65,204
	866	65,204

4. FINAL 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 final 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.

5. ANNUAL GENERAL MEETING

The annual general meeting of shareholders will be held on Thursday, 18th May, 2006.

6. SHARE REGISTRATION

The Register of Members of the Company will be closed from Monday, 15th May, 2006 to Thursday, 18th May, 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Friday, 12th May, 2006. Warrantholders who wish to be entitled to the proposed final dividend must exercise their subscription rights not later than 4:00 p.m. on Friday, 12th May, 2006.

7. MANAGEMENT DISCUSSION AND ANALYSIS

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 Phase I of Royal Green, 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.

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.

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 superstructure 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.

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.

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 has been 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 advise 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 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$1,526.0 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 properties valued at HK$19.3 million and pledged fixed deposits of HK$46.9 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$4,450.9 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

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.

8. DEALINGS IN THE COMPANY'S LISTED SECURITIES

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.

9. AUDIT COMMITTEE

The audit committee has reviewed with the management the results and the audited financial statements for the year ended 31st December, 2005.

The audit committee comprises three members, namely Messrs. Leung Hok Lim, Walujo Santoso, Wally and Chung Pui Lam, all of whom are independent non-executive directors of the Company.

10. CORPORATE GOVERNANCE

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 as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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.

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

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, 7th April, 2006

* *For identification purpose only*

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