爪哇集團
SEA Group

Annual Report 2006 年報

與時創建50載
years of building with the times

Stock Code 股票代號 : 251

Directory

Directors

Executive Directors

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

Non-executive Director

Mr. Lam Sing Tai

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Authorised Representatives

Mr. Tse Man Bun
Mr. Kwok Siu Man, Seaman

Qualified Accountant

Mr. Chan Ka Wing

Company Secretary

Mr. Kwok Siu Man, Seaman

Solicitors

Stephenson Harwood & Lo
Conyers Dill & Pearman

Auditors

Deloitte Touche Tohmatsu

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
Dah Sing Bank Limited

Registered Office

Clarendon House
Church Street
Hamilton HM11
Bermuda

Principal Place of Business

26/F., Dah Sing Financial Centre
108 Gloucester Road
Wanchai, Hong Kong
Tel: (852) 2828 6363
Fax: (852) 2598 6861
E-mail: info@seaholdings.com

Branch Registrars in Hong Kong

Standard Registrars Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
Tel: (852) 2980 1768

Listing

The shares and warrants of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited.

Code and Board Lot

Stock: 251/2,000 **Warrant:** 920/2,000

The shares of Asian Growth Properties Limited, a subsidiary of the Company, are listed and traded on the AIM Market of London Stock Exchange Plc.

Trans Tasman Properties Limited, another subsidiary of the Company, will be privatised and its shares are expected to be delisted from New Zealand Exchange Limited on 27th April, 2007.

Website

www.seaholdings.com

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Financial Highlights

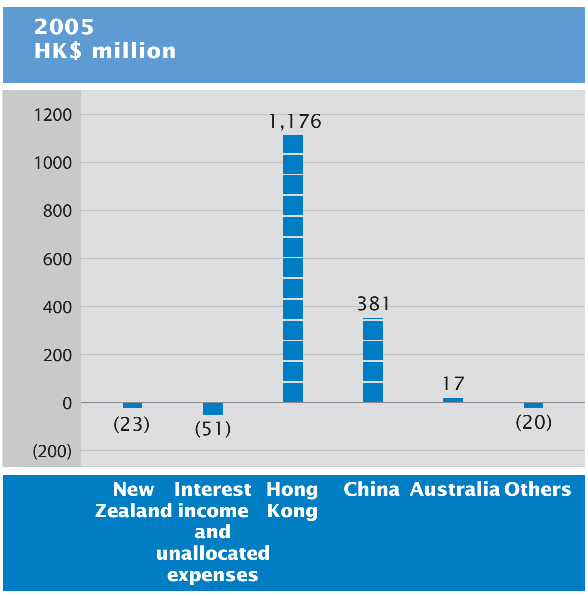
FIVE YEAR FINANCIAL SUMMARY

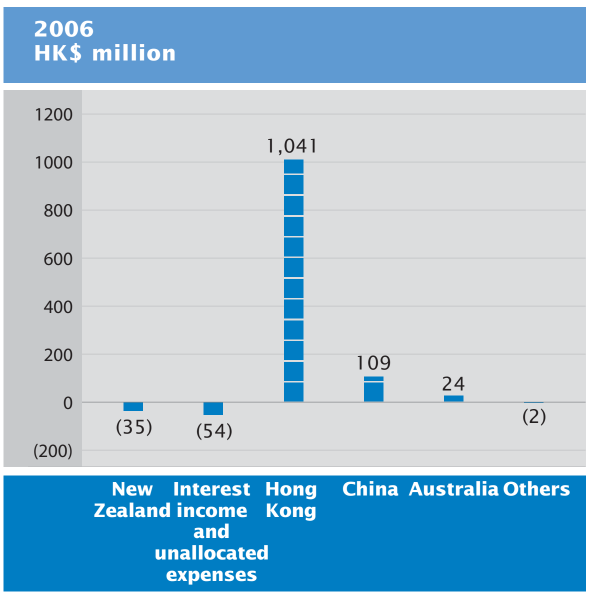
RESULTS	For the year ended 31st December				
	2002 (restated) HK$'m	2003 HK$'m	2004 HK$'m	2005 HK$'m	2006 HK$'m
Turnover	741.5	592.9	474.7	940.2	**1,060.2**
Profit (loss) for the year before minority interests	(327.2)	297.8	143.6	1,149.1	**926.2**
Minority interests	124.6	(110.6)	(23.1)	(76.8)	**(134.9)**
Profit (loss) for the year attributable to the Company's shareholders	(202.6)	187.2	120.5	1,072.3	**791.3**

ASSETS AND LIABILITIES	At 31st December				
	2002 (restated) HK$'m	2003 (restated) HK$'m	2004 HK$'m	2005 HK$'m	2006 HK$'m
Total assets	7,250.0	6,881.5	7,747.7	8,701.1	**9,898.0**
Total liabilities	(3,363.1)	(3,329.8)	(3,854.2)	(3,586.0)	**(4,171.8)**
Minority interests	(1,446.7)	(875.0)	(821.4)	(760.7)	**(533.5)**
Equity attributable to the Company's shareholders	2,440.2	2,676.7	3,072.1	4,354.4	**5,192.7**

PERFORMANCE DATA	2002	2003	2004	2005	2006
Earnings (loss) per share (HK$)	(0.39)	0.37	0.24	2.05	**1.39**
Dividends declared per share (HK$)	0.00	0.10	0.10	0.10	**0.12**
Net asset value per share (HK$)	4.77	5.24	6.01	7.94	**8.91**

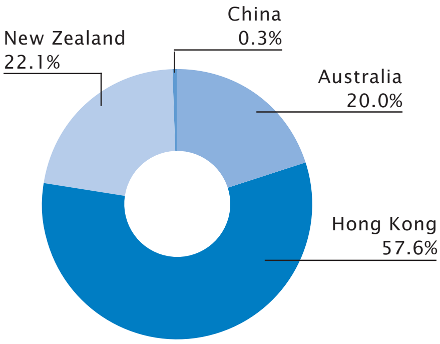
Profit/Loss from Operations



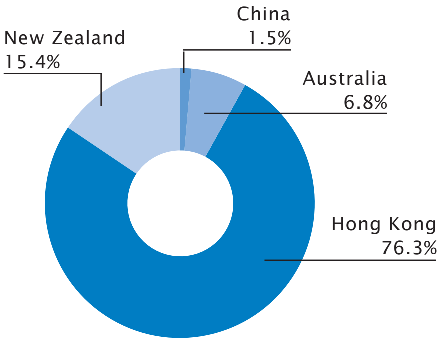


Revenue by Geographical Segments

2005

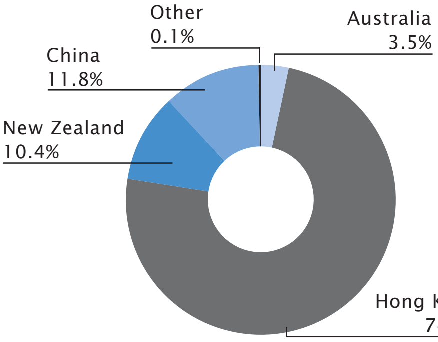


2006

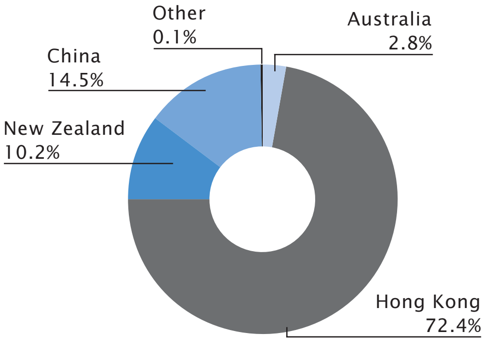


Total Segment Assets by Geographical Segments

2005

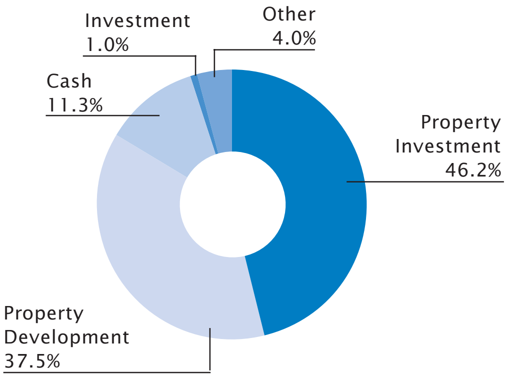


2006

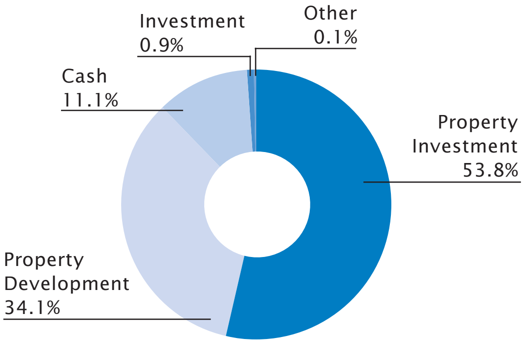


Total Assets by Nature

2005



2006



Property Portfolio

As at 31st December 2006

Particulars of Principal Investment Properties:

Name	Location	Lease Expiry	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
Hong Kong					
Dah Sing Financial Centre	108 Gloucester Road, Wanchai	30th June, 2047	Commercial/ Office	37,171 and 164 car-parking spaces	96.43
28/F., 9 Queen's Road Central	28/F., 9 Queen's Road Central, Central	15th November, 2854/ 20th January, 2856	Office	1,279	96.43
Shop No.22, Excelsior Plaza	Shop No. 22, Ground Floor, Excelsior Plaza, Chee On Building, No.24 East Point Road, Causeway Bay	24th June, 2842/ 23rd December, 2864	Retail	39	96.43
The Mainland China					
Plaza Central	8 Shunchengda Street, Yanshikou, Chengdu, Sichuan Province	6th October, 2063	Commercial/ Office	91,512 (Construction Area)	96.43
Australia					
65 York Street Strata Units	65 York Street, Sydney	Freehold	Strata office	1,340	80.55
New Zealand					
Chancery Carpark	Kitchener Street, Auckland	1st March, 2016	Carpark	50 car–parking spaces	80.55
Clearwater Clubhouse	Harewood, Christchurch	21st March, 2101	Commercial	644	27.47
Clearwater Unit 4	Harewood, Christchurch	Freehold	Commercial	558	27.47
Grasmere Estate	Canterbury	Freehold	Residential	78,157	80.55

Property Portfolio

As at 31st December 2006

Particulars of Principal Property Held for Sale:

Name	Location	Stage of Completion	Estimated Completion Date	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
Hong Kong						
Royal Green	18 Ching Hiu Road, Sheung Shui, New Territories	Completed	—	Residential	28,022 and 107 car-parking spaces*	53.04

* Including residential units and car-parking spaces in respect of which the sale and purchase agreements had been signed but assignments were not completed

Particulars of Principal Development Properties/Properties under Development:

Name of Project	Location	Stage of Completion	Estimated Completion Date	Usage	Approximate Site Area (square metres)/Gross Floor Area (square metres)	Group's Interest (%)
Hong Kong						
Leighton Road	6-20 Leighton Road, Causeway Bay	Foundation work in progress	1st quarter of 2009	Hotel	884/13,206	96.43
Leighton Road	G/F, 1/F, 3/F, 4/F and Roof, 4 Leighton Road, Causeway Bay	To be demolished #	1st quarter of 2009	Hotel	112/1,391 (upon completion of re-development)	96.43
The Morrison	28 Yat Sin Street, Wanchai	Superstructure work in progress	4th quarter of 2007	Residential/ Commercial	655/5,837	96.43
99 Po Kong Village Road	99 Po Kong Village Road, Diamond Hill, Kowloon	Superstructure work in progress	4th quarter of 2007	Residential/ Commercial	2,250/18,825	96.43
Sha Tin Lot No. 75 & 744RP	1-11 Au Pui Wan Street, Fo Tan, Sha Tin, New Territories	Preliminary planning	Beyond 2009	Residential/ Commercial	20,092/84,306	96.43

Demolition completed in March 2007

Property Portfolio

As at 31st December 2006

Name of Project	Location	Stage of Completion	Estimated Completion Date	Usage	Approximate Site Area (square metres)/Gross Floor Area (square metres)	Group's Interest (%)
The Mainland China						
Westmin Plaza Phase II	48-58 Zhong Shan 7th Road, Li Wan District, Guangzhou, Guangdong Province	Superstructure work in progress	3rd quarter of 2007	Residential/ Commercial/ Office	Site Area: 13,109 Construction Area: 118,554	96.43
New Zealand						
Clearwater Resort	Harewood, Christchurch	Planning	Beyond 2009	Commercial	Site Area: 1.6 hectares	27.47
Clearwater Resort	Harewood, Christchurch	Planning	Beyond 2009	Residential	Site Area: 29.1 hectares	27.47
12-26 Man Street	Central Business District, Queenstown	Nearing completion	2nd quarter of 2007	Carpark	521 car-parking spaces, and 3,921sq.m. development site	44.30
Belfast Land	Belfast, Christchurch	Planning	2010-2012	Residential	Site Area: 27.2 hectares	80.55
Timperley Block	Harewood, Christchurch	Planning	2009	Residential	Site Area: 35.6 hectares	44.30
104G Johns Road	Belfast, Christchurch	Planning	2012	Residential	Site Area: 6.4 hectares	44.30
Robinson Block	Woodend, Canterbury	Planning	2009	Residential	Site Area: 125 hectares	44.30
132 Halsey Street Δ	Viaduct, Auckland	Planning	Beyond 2012	Commercial and residential	Site Area: 2,855 sq.m.	80.55
8-14 Madden Street Δ	Viaduct, Auckland	Planning	Beyond 2012	Commercial and residential	Site Area: 3,549 sq.m.	80.55
120 Halsey Street Δ	Viaduct, Auckland	Planning	Beyond 2012	Commercial and residential	Site Area: 4,185 sq.m.	80.55
117-139 Pakenham Street Δ	Viaduct, Auckland	Planning	Beyond 2012	Commercial and residential	Site Area: 6,315 sq.m.	80.55

Δ Sold in March 2007

Chairman's Statement

Clearwater Resort

I am pleased to present the 2006 consolidated results of the Company to the shareholders.

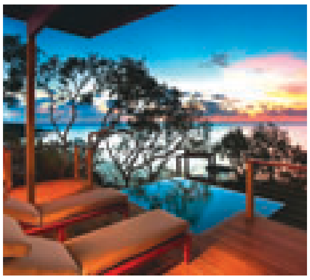
FINANCIAL SUMMARY

Turnover for the year ended 31st December, 2006 amounted to HK$1,060.2 million (2005: HK$940.2 million), which represented a 12.8% increase over last year. The increase was primarily due to the sales of the Royal Green residential units in Hong Kong, the sales of various development properties in both New Zealand and Australia, and the growth of rental income from Dah Sing Financial Centre, Hong Kong.

Profit attributable to the Company's shareholders for the year amounted to HK$791.3 million (2005: HK$1,072.3 million), representing a 26.2% decrease compared with last year. The decrease was mainly due to the moderate revaluation surplus recognized on the investment properties in the current year compared with the substantial surplus of HK$1,251.1 million recognized in relation to the first time adoption of the new Hong Kong Financial Reporting Standards in 2005.

As at 31st December, 2006, the Group's equity attributable to the Company's shareholders amounted to HK$5,192.7 million which, compared to HK$4,354.4 million in the previous year, represented a 19.3% increase. The net asset value per share to the Company's shareholders was HK$8.91 (2005: HK$7.94) and taking into consideration the potential dilutive effect of

Chairman's Statement



outstanding warrants and share options, the net asset value per share to the Company's shareholders would become HK$7.86.

DIVIDEND

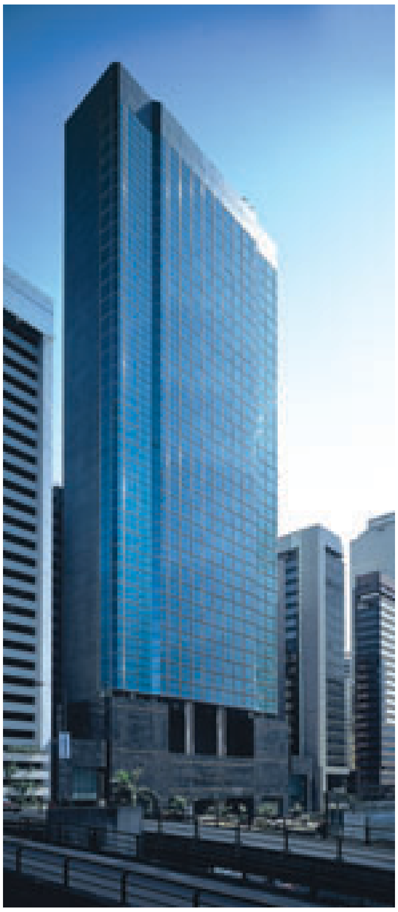
The Board has resolved to recommend for shareholders' approval at the forthcoming annual general meeting the payment of a final dividend of HK7 cents per share for the year ended 31st December, 2006 (2005: HK6 cents) on Tuesday, 29th May, 2007 to the shareholders of the Company whose names appear on the Register of Members at the close of business on Wednesday, 23rd May, 2007. Together with the interim dividend of HK5 cents per share already paid (2005: HK4 cents), the total dividend for the year will be HK12 cents per share (2005: HK10 cents). As at 18th April, 2007, total final dividends payable are HK$41.4 million which will be increased by a maximum of HK$4.8 million if additional ordinary shares are issued upon the exercise by the respective holders of the subscription rights attached to all the outstanding warrants and share options before the fixed period of closure of the Register of Members commencing on 17th May, 2007.

BUSINESS REVIEW

Property Investments and Developments

The Company through its existing 96.5% owned subsidiary Asian Growth Properties Limited ("AGP"), whose shares have since 16th January, 2006 been admitted to trading on the AIM Market operated by London Stock Exchange Plc., holds the following property development and investment projects in Hong Kong and China:

Royal Green



Dah Sing Financial Centre

Hong Kong

Dah Sing Financial Centre, Gloucester Road, Wanchai

Gross rental income generated for the financial year ended 31st December, 2006 was HK$78.6 million (2005: HK$61.8 million), which represented a 27.2% increase compared with last year. The rise in rental income was resulted from an improved occupancy rate from 86.1% to 88.1% and the increase in average base rent. It is expected that a better rental return would be achieved in 2007 from lease renewals and new leases negotiated in the second half of 2006.

Royal Green, Sheung Shui

Turnover recognized for the year represented the completion of sales made in both 2005 and 2006 amounted to HK$685.9 million, which contributed a profit of HK$318.9 million. In 2006, the property market generally experienced a slow-down in sales, particularly in the New Territories where Royal Green is situated. Sale of the remaining residential units of the project with competitive marketing campaigns continues. To date, over two-thirds of the units of Royal Green have been sold.

The Morrison

The Morrison, Wanchai

In April 2006, the Group completed the purchase of an adjoining property at 2 Morrison Hill Road and lately it further succeeded in acquiring another adjoining lot from the Government. Upon amalgamation of these sites, the total gross floor area of the development has been increased to approximately 5,837 square metres, and additional eight floors to the existing development will be added.

Superstructure works are in good progress and the development is expected to be completed by the fourth quarter of 2007. Pre-sale of the residential units to the public is being planned.

Leighton Road, Causeway Bay

The Leighton Road development comprises two adjoining sites which are currently under construction. In November 2006, the Group succeeded in acquiring an adjoining lot at 4 Leighton Road, which will be amalgamated with the existing lots, thereby effectively increasing the total gross floor area of the development. It is intended that the site will be developed into a 30-storey hotel comprising 283 guest rooms. The proposed hotel is scheduled to be completed by the first quarter of 2009.

Leighton Road project

Po Kong Village Road, Diamond Hill

The site is being developed into a 48-storey residential and commercial composite building, with a total gross floor area of approximately 18,825 square metres, comprising 304 residential units above a 7-level podium of retail space, a clubhouse and car parks. Superstructure construction work is in good progress and the development is expected to be completed by the fourth quarter this year. The pre-sale consent has just been granted by the Government and pre-sale of the residential units will soon be launched.

Fo Tan, Sha Tin

Planning works for this extensive residential development at Fo Tan continue. Re-zoning applications have been submitted to the Town Planning Board for consideration. The property is currently leased out as an industrial site.

Excelsior Plaza Shop, Causeway Bay

The retail sector in Hong Kong has shown continued growth. A new two-year lease at a higher rental rate commencing on 1st July, 2006 for the Shop was concluded.

Po Kong Village Road project

China

Westmin Plaza Phase II, Guangzhou

The Westmin Plaza Phase II project, which has a total construction floor area of about 118,554 square metres, comprises four residential blocks, one office block and a six-storey commercial/car-parking podium. The project is expected to be completed in the third quarter of 2007. As at 31st December, 2006, 93% of the planned 646 residential units were pre-sold, sales proceeds of which will be recognized in 2007 upon completion of the development.

Westmin Plaza Phase II

Plaza Central, Chengdu

Plaza Central, which was completed in the fourth quarter of 2005, comprises two 30-storey office blocks erected on a common podium of six commercial/retail floors and two car-parking floors. Leasing of the office space is progressing steadily and all the retail space with a total construction floor area of approximately 29,938 square metres has been leased. Stable recurrent income from this property is expected.

Plaza Central

Chairman's Statement

Australia and New Zealand

Trans Tasman Properties Limited ("TTP") reported a net deficit for the year ended 31st December, 2006 of NZ$3.4 million (about HK$19.6 million) compared to a net surplus of NZ$4.3 million (about HK$24.8 million) for the previous year. The deficit was mainly due to a decrease in the property sales activities as most of the current development properties are still under construction, thereby affecting the revenue stream.

Following the completion of the sale of 97.5% of its shareholding interest in AGP by an off-market pro-rata share buyback and the subsequent cancellation of TTP shares, the shareholders' equity of TTP decreased from NZ$394.1 million (about HK$2,274.0 million) as at 31st December, 2005 to NZ$99.5 million (about HK$574.1 million) as at 31st December, 2006, with reported net asset value per share decreased to NZ 64.5 cents as at 31st December, 2006 (2005: NZ 67.9 cents).

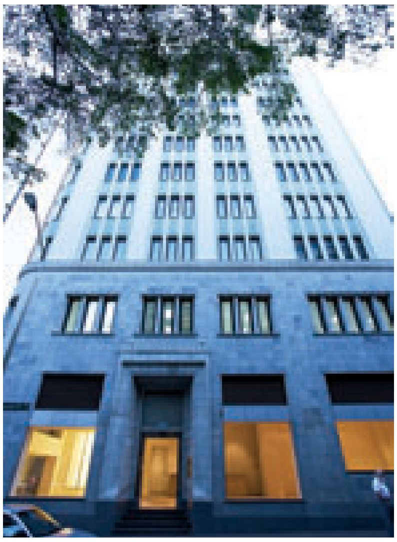
Garment Operation

Due to the general softening of the garment sector, turnover generated from the garment business for the financial year ended 31st December, 2006 was HK$25.4 million which, compared to HK$31.3 million in the previous year, represented a drop of 18.9%. The operation reported a small loss of HK$0.8 million (2005: HK$1.2 million). Pricing pressure is expected to continue. Management will continue to exercise tighter control over costs to improve profit margin and strengthen competitiveness. However, significant improvement in profitability of the operation is not expected.

CORPORATE CHANGES IN TTP

As the shares in TTP continued to be traded below their net asset value, the Group continued to acquire shares in TTP from the market. In July 2006, the Group made an unconditional offer to acquire all of the remaining voting shares in TTP for NZ 55 cents per share and as a result, the Group's effective shareholding interest in TTP increased to 80.6% as at 31st December, 2006. As the acquisition cost was below the net asset value of the shares acquired, a discount on acquisition of HK$21.4 million had resulted, which was recognized in the consolidated income statement.

In late March 2007, the Group made another unconditional offer to acquire all of the remaining shares, being approximately 19.5% of the shares in TTP, for NZ 60 cents per share. Subsequently, separate lock-up agreements were entered into between the Group and two independent substantial shareholders whereby the latter are bound to accept the Group's offer. As a result, the Group were able to control over 90% of TTP shares in issue and could compulsorily acquire any outstanding TTP shares not being accepted in the offer at the same price of NZ 60 cents per share. The total consideration for this exercise will be NZ$18.0 million (about HK$103.9 million).



65 York Street

On 16th April, 2007, the Group issued the relevant compulsory acquisition notice. As at the date of this statement, the Group's shareholding interest in TTP is 94.3%. It is expected that trading in TTP shares will cease at the close of business on 23rd April, 2007 and TTP will be delisted from the New Zealand Exchange at the close of business of 27th April, 2007. Further, the Group's offer will close on 4th May, 2007 and the compulsory acquisition period will expire on 7th May, 2007.

CORPORATE CHANGES IN AGP

As the shares of AGP were also traded below their net asset value and in order to provide shareholders with an opportunity to realize their investment in AGP, the Group also acquired approximately 29.9 million shares in AGP from the market during the year. The share purchase had resulted in a discount on acquisition of HK$53.1 million, which was recognized in the consolidated income statement.

To achieve a transparent and non-competitive investment strategy for the Company and AGP in Asia, the Company transferred to AGP six of its investment 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, of which the Company's attributable interest had been valued by an independent property valuer at HK$6,425.2 million. Following the completion of the transfer in early October 2006, the Company holds all its material property assets in Hong Kong and Mainland China through AGP and the Company owns an effective 96.5% equity interest in AGP as at the date of this statement.

FINANCIAL RESOURCES AND LIQUIDITY

Working Capital and Loan Facilities

As at 31st December, 2006, the Group's cash balance was HK$570.4 million (2005: HK$795.7 million) and unutilized facilities were HK$1,416.8 million (2005: HK$1,412.2 million). Its current (working capital) ratio dropped from 2.59 as at 31st December, 2005 to 1.75 as at 31st December, 2006 as a result of some property development loans maturing in the third and fourth quarters of 2007.

Gearing ratio as at 31st December, 2006, calculated on the basis of net interest bearing debts minus cash and restricted and pledged deposits as a percentage of total property assets, reduced from 19.9% to 17.5%.

As at 31st December, 2006, maturities of the Group's outstanding borrowings were as follows:

	31st December, 2006 HK$' million	31st December, 2005 HK$' million
Due		
Within 1 year	**1,538.7**	917.7
1-2 years	**148.5**	608.6
3-5 years	**789.9**	244.0
Over 5 years	**81.3**	659.7
	2,558.4	2,430.0

Chairman's Statement

Pledge of Assets

For the Group's subsidiaries operating in Hong Kong and Mainland China, the total bank loans drawn as at 31st December, 2006 amounted to HK$2,056.1 million (2005: HK$1,542.0 million), which were secured by properties valued at HK$6,060.0 million (2005: HK$4,783.0 million).

Certain subsidiaries of the Company operating in New Zealand and Australia have pledged their properties with an aggregate carrying value of HK$489.6 million (2005: HK$1,498.0 million) to secure bank loans of HK$442.6 million (2005: HK$834.4 million).

In Indonesia, the total bank loans drawn by certain subsidiaries as at 31st December, 2006 amounted to HK$59.7 million (2005: HK$53.3 million), which were secured by fixed deposits of HK$47.2 million (2005: HK$44.5 million).

Treasury policies

The Group adheres to prudent treasury policies. As at 31st December, 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 179 employees at 31st December 2006 (2005: 217). 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 employees.

OUTLOOK

In 2007, outlook of the world economy remains positive. Although the development of the US housing sector may slow its economic growth, we expect that the US economy would continue to expand, albeit at a moderate pace over the year. As pressure on inflation has shown signs of abatement, a more stable interest rate environment for the year is envisaged.

The Hong Kong property market last year had been on the whole slower than expected, but sales transactions picked up somewhat in the second half of the year. The local economic prospects this year remain optimistic and consumer confidence continues to be strong. The buoyant job market and the general rise in salary and wages will no doubt boost household incomes and mortgage affordability which is further supplemented by attractive mortgage terms offered by banks and the proposed reduction in stamp duty for property transactions by the government. The recent good land auction results have also highlighted the great demand for quality housing in Hong Kong. All these are encouraging factors to the local residential property market which is expected to fare better this year. The Group is well positioned to capture the favourable market condition and is well prepared to launch the pre-sale of its residential development projects soon.

China's robust economic growth is expected to continue, and the business sectors in Hong Kong are well placed to take advantage of the business opportunities arising from the neighbouring land. With the increasing number of Mainland enterprises listed and to be listed in Hong Kong, financial institutions from overseas and the Mainland have been keen in expanding their presence here in order to capture the business opportunities available. These factors would exert demand for quality office space and raise office rental rate to a higher level. Therefore, the Group expects that its rental income in the current year would improve further.

Since May 2006, the government in Mainland China has introduced a series of macroeconomic control measures to curb property speculations and stabilize property prices. The Group is of the view that these measures would have a temporary dampening effect on the property market which is expected to consolidate in the short term, with the weaker players being driven out of the market place. On the other hand, the Group considers that a more rationalized market condition would be beneficial to its long term property investment and development in China, and the present state offers good acquisition opportunities to the Group in replenishing its land bank in the Mainland. The Group believes that despite the macroeconomic measures introduced, the continued economic expansion, rising productivity and household income, should generate great demand for residential properties of good quality and design in China in the long run. And this market presents future growth potential for the Group. Therefore, the Group has been active in its land acquisition programme, and negotiations for purchase of a few land parcels with the vendors are now at their final stage.

The Group will continue to focus on the planned completion of the projects on hand and develop marketing plans for sales of the residential units, and leasing of the commercial space, of these projects. The Group will also work closely with its joint-venture partner to actively promote sales of the remaining residential units at Royal Green. At the same time, the Group will step up its efforts in looking for acquisition opportunities in Hong Kong, the Mainland China and other Asia Pacific cities to enhance its property portfolio, and to add value and return to its shareholders.

ACKNOWLEDGEMENT

On 6th December, 2006, the Group celebrated its 50th anniversary, and on behalf of the Board I would like to take this opportunity to extend our deepest gratitude to the founders of the Group, our thanks to the long-standing business partners, customers and shareholders, and our appreciation to each staff member, past and present, for their contributions to SEA Group's success over the last five decades.

Lu Wing Chi
Chairman and Managing Director

Hong Kong, 18th April, 2007

Directors' Biographical Information

Lu Wing Chi

Lu Wing Yuk, Andrew

Tse Man Bun

Lincoln Lu

Lambert Lu

Executive Directors

Mr. Lu Wing Chi, aged 60, joined the Group in 1969 and is the Chairman and Managing Director of the Company. Mr. Lu is also a director of Trans Tasman Properties Limited and Asian Growth Properties Limited, both the Company's subsidiaries listed in New Zealand and London respectively. He has over 40 years of experience in property development and investment in Hong Kong and overseas as well as godown and factory operations. To date, Mr. Lu continues to steer and chart the Group's development directions and strategies. He is the son of Mr. Lu Chu Mang, the founder of the Group, and the father of Mr. Lincoln Lu and Mr. Lambert Lu.

Mr. Lu Wing Yuk, Andrew, aged 60, joined the Group and has acted as Executive Director of the Company since 1992. Mr. Lu is also the Managing Director of Kian Nan Trading Company Limited. He has over 35 years of experience in the textile industry and international trading.

Mr. Tse Man Bun, aged 64, joined the Group in 2004 and has acted as an Executive Director of the Company since then. Mr. Tse has over 40 years of experience in the banking and finance industry. He is presently an independent non-executive director of HSBC Insurance (Asia) Limited, China Fishery Group Limited, Tysan Holdings Limited and Crystal International Limited.

Mr. Lincoln Lu, aged 32, joined the Group in 1998 and was appointed an Executive Director of the Company in 2003. Mr. Lu holds a Bachelor of Arts degree from the University of British Columbia and is primarily responsible for the Group's project management operations. He is a son of Mr. Lu Wing Chi and the elder brother of Mr. Lambert Lu.

Mr. Lambert Lu, aged 30, joined the Group in 1999 and was appointed an Executive Director of the Company in 2003. Mr. Lu is in charge of financial activities as well as corporate finance and investment of the Group. He also holds a number of directorships in the Company's Hong Kong and overseas subsidiaries. Mr. Lu gained his Bachelor's degree in Statistics and Economics from the University of British Columbia. He is a son of Mr. Lu Wing Chi and the brother of Mr. Lincoln Lu.

Lam Sing Tai

Walujo Santoso, Wally

Leung Hok Lim

Chung Pui Lam

Non-executive Director

Mr. Lam Sing Tai, aged 60, joined the Group in 1973 and was appointed a Non-executive Director of the Company in April 2006. Mr. Lam has over 30 years of solid experience in property development and investment. He is currently a Director and the General Manager of South-East Asia Investment And Agency Company, Limited, a subsidiary of the Company and is primarily responsible for the sales and marketing matters of the Group's properties in Hong Kong and mainland China.

Independent Non-executive Directors

Mr. Walujo Santoso, Wally, aged 53, has acted as an Independent Non-executive Director of the Company since 1994 and is also the Managing Director of Grand Ocean (International) Limited. Mr. Santoso holds a Diploma in Accounting and has over 30 years of experience in international trading and manufacturing.

Mr. Leung Hok Lim, *FCPA(Aust.), CPA(Macau), FCPA(Practising)*, aged 71, has acted as an Independent Non-executive Director of the Company since 1999 and is the founder and senior partner of PKF, Accountants and Business Advisers. Mr. Leung obtained his fellowship with the Hong Kong Institute of Certified Public Accountants (formerly Hong Kong Society of Accountants) in 1973. He is a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited and a number of listed companies in Hong Kong.

Mr. Chung Pui Lam, *SBS, OBE, JP*, aged 66, has acted as an Independent Non-executive Director of the Company since 2004 and is a practising solicitor in Hong Kong. Mr. Chung is serving as members on several advisory committees of the Government of the Hong Kong Special Administrative Region. He is also a non-executive director of Chow Sang Sang Holdings International Limited and an independent non-executive director of Datronix Holdings Limited. Both are listed companies in Hong Kong.

The companies of which Messrs. Lu Wing Chi, Lu Wing Yuk, Andrew, Lincoln Lu and Lambert Lu are directors and having discloseable interests in the shares and underlying shares of the Company under the provisions of Part XV of the Securities and Futures Ordinance of Hong Kong are set out in the Directors' Report under the section headed "Substantial Shareholders' Interests in Securities" on page 35.

Corporate Governance Report

The Company recognizes the importance of good corporate governance to the Company's development and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

Corporate Governance Practices

Throughout the year ended 31st December, 2006, the Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices (the "CGP Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for 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.

The Board will continue to review and recommend such steps as appropriate in the circumstances of such non-compliance.

Board of Directors

Composition

The Board currently comprises the following nine members:

Executive Directors

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

Non-executive Director

Mr. Lam Sing Tai

Independent Non-executive Directors ("INEDs")

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

The biographical details of the existing directors are set out on pages 16 and 17 under the heading of "Directors' Biographical Information".

Role and Function

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

i) adoption and overall oversight of objectives and strategic plans;

ii) amendment to memorandum of association and bye-laws as well as share capital;

iii) approval of interim dividends and recommendation of final dividends for shareholders' approval;

iv) establishment of board committees and delegation of powers of the Board to same;

v) appointment of board members;

vi) approval of significant accounting policies and practices;

vii) oversight of corporate governance and internal controls; and

viii) other significant matters.

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

Meetings

The Board conducts meetings on a regular basis and on an ad hoc basis that are required for significant and important issues. The Board held four regular Board meetings during the year to approve the 2005 final results and 2006 interim results and consider financial and operating performances and substantial transactions of the Group respectively. The Company Secretary attended all regular Board meetings to advise on corporate governance and statutory compliance when necessary and the Group Financial Controller also attended the Board meetings to advise on accounting, financial and internal control matters. All businesses transacted at the Board meetings are well-documented and the records are maintained properly. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments.

Relationship and Others

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

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

Non-Executive Directors

The non-executive directors (including the INEDs) of the Company are subject to retirement by rotation at least once every three years. They have brought independent judgement and provided the Group with invaluable guidance and advice on the Group's development.

INEDs

During the year ended 31st December, 2006, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs with at least an independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

Board Committees

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

Audit Committee

Composition

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

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

Role and Function

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

During the year ended 31st December, 2006, the Audit Committee met twice with the representatives of the management and the external auditors of the Company to discuss the auditing, financial reporting and internal control matters. During the meetings, the Audit Committee in particular reviewed and discussed about the accounting principles and policies adopted by the Group, the annual results and the audited financial statements for the year ended 31st December, 2005, the interim results and the financial statements for the six months ended 30th June, 2006, letters of management representation made to the auditors and the internal control system in relation to the tendering, management information and budgeting functions.

On 17th April, 2007, the Audit Committee reviewed with the management the results and consolidated financial statements of the Company for the year ended 31st December, 2006.

Remuneration Committee

Composition

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

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

Role and Function

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

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

On 15th February, 2007, the Remuneration Committee held a meeting to further discuss the executive directors' salary increment and performance bonus and recommend to the Board for approval the remuneration of the non-executive directors for the current year.

Executive Committee

Composition

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

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

Role and Function

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

Attendance Record at Meetings

The attendance record of each director at Board meetings, Audit Committee meetings and Remuneration Committee meetings during the year are set out in the following table:—

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

* Appointed as director on 7th April, 2006

Nomination, Retirement and Re-Election Of Directors

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

In accordance with the Company's Bye-laws which were amended by a special resolution at the annual general meeting ("AGM") held on 18th May, 2006 for the purpose of compliance with the CGP Code, every director shall retire from office no later than the third annual general meeting after he was last elected or re-elected. In addition, any director appointed by the Board to fill a casual vacancy shall hold office only until the next general meeting of the Company and shall then be eligible for re-election.

Directors' Securities Transactions

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

In response to the specific enquiry made on them, all the directors of the Company confirm that they have complied with the required standard as set out in the Model Code throughout the year ended 31st December, 2006.

Directors' Responsibility for Preparing Financial Statements

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

Auditor's Reporting Responsibility

The statement of Messrs. Deloitte Touche Tohmatsu, the external auditors of the Company, about their reporting responsibility on the financial statements of the Group is set out in the "Independent Auditor's Report" on page 37.

Going Concern

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

Internal Control

The Board has overall responsibility for the Group's system of internal control and the assessment and management of risks. The Group has implemented an effective internal control system which includes a defined management structure with limits of authority, proper procedures for income and expenditure, monthly review by the executive directors of operational and financial reports provided by the management, regular business meetings between the executive directors and the core management team and periodic review of the Group's financial results by the Board.

The Board continues to review its businesses and operations and compliance mechanism in order to identify, evaluate and manage risks and take appropriate measures to mitigate those risks that could adversely impact the Group's business activities.

Auditor's Remuneration

Fees payable to Messrs. Deloitte Touche Tohmatsu, the external auditors of the Group, for audit services for the year ended 31st December, 2006 amounted to approximately HK$4.2 million.

Communication with Shareholders

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

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

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

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

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

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

At the Company's last AGM held on 18th May, 2006, all the resolutions relating to ordinary businesses and special businesses (which included the amendments to the Bye-laws of the Company to ensure compliance with the CGP Code) proposed thereat were unanimously passed. The forthcoming AGM will be held in Hong Kong on 23rd May, 2007 and for details, shareholders may refer to the Notice of such AGM contained in a circular which accompanies this Annual Report.

Investor Relations

The Company continues to promote investor relations and enhance communication with the investors. It welcomes suggestions from investors, stakeholders and the public who can contact the Company by phone on (852) 2828 6363, by fax at (852) 2598 6861 or by e-mail at info@seaholdings.com.

The above corporate governance practices will be reviewed, amended and revoked from time to time as considered necessary by the Board and its committees.

Shareholders' Information

Taxation of Holders of Shares and Warrants

(a) *Hong Kong*

The purchase, sale and transfer of shares and warrants registered with the Company's Hong Kong branch register of members and register of warrant-holders respectively will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller (or transferee and transferor) is 0.1% of the consideration or, if higher, of the fair value of the shares or warrants being sold or transferred. Profits from dealings in the shares or warrants arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Bermuda*

Under present Bermuda law, transfers and other dispositions of shares and warrants are exempt from Bermuda stamp duty.

(c) *Consultation with professional advisers*

Intending holders of shares and warrants are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of purchasing, holding, disposing of or dealing in shares or warrants or exercising any rights attaching to them. It is emphasised that none of the Company or the Directors will accept responsibility for any tax effect on, or liabilities of, holders of shares or warrants of the Company resulting from their purchase, holding, disposal of or dealing in shares or warrants or exercising any rights attaching to them.

Key Dates

Shareholders and investors are advised to note the following key dates of the Company and take appropriate action:

	Year 2007
2006 Annual results announcement	18th April
Annual general meeting	23rd May
Record date for proposed 2006 final dividend	23rd May
Payment of 2006 final dividend	29th May
2007 Interim results announcement	on or before 30th September

Directors' Report

The directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31st December, 2006.

Principal Activities

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

Other particulars of the principal subsidiaries of the Company as at 31st December, 2006 are set out in note 50 to the consolidated financial statements.

Segmental Analysis of Operations

An analysis of the Group's performance for the year by geographical and business segments is set out in note 7 to the consolidated financial statements.

Results And Appropriations

The results of the Group for the year ended 31st December, 2006 are set out in the consolidated income statement on page 38.

The state of affairs of the Group as at 31st December, 2006 is set out in the consolidated balance sheet on pages 39 and 40.

An interim dividend of HK5 cents (2005: HK4 cents) per share amounting to HK$30.8 million (2005: HK$21.4 million) was paid to the shareholders during the year. The directors has resolved to recommend for shareholders' approval at the forthcoming annual general meeting the payment of a final dividend of HK7 cents per share for the year under review (2005: HK6 cents) to the shareholders whose names appear on the register of members at the close of business on 23rd May, 2007, amounting to HK$41.4 million (2005: HK$33.1 million).

Share Capital and Warrants

Details of the movements in the share capital and outstanding warrants of the Company during the year are set out in notes 38 and 39 to the consolidated financial statements respectively.

Distributable Reserves

The Company's reserves available for distribution to shareholders as at 31st December, 2006 were as follows:

	2006 **HK$'000**	2005 HK$'000
Contributed surplus	**190,081**	190,081
Retained profits	**1,522,231**	1,592,724
	1,712,312	1,782,805

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

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

(b) the realisable value of its assets would thereby be less than the aggregate amount of its liabilities and its issued share capital and share premium accounts.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Investment Properties

All the investment properties of the Group were revalued at 31st December, 2006. The net increase in fair value of investment properties amounting to HK$708.9 million has been credited directly to the consolidated income statement (2005: HK$1,251.1 million).

Details of the movements during the year in the investment properties of the Group are set out in note 19 to the consolidated financial statements.

Property, Plant and Equipment

In 2005, properties under development with a total carrying value of HK$200.0 million and HK$273.1 million were transferred to properties held for sale and investment properties respectively. Additions of properties under development for the year amounted to HK$28.8 million (2005: HK$102.3 million).

Details of the development properties and other movements during the year in the property, plant and equipment of the Group are set out in note 20 to the consolidated financial statements.

Principal Properties

Details of the principal properties of the Group held for investment and sale purposes and under development at 31st December, 2006 are set out in the Property Portfolio on pages 4 to 6.

Directors

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

Executive directors

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

Non-executive director

Mr. Lam Sing Tai (appointed on 7th April, 2006)

Independent non-executive directors

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

In accordance with Bye-laws 88(A), 88(B) and 89 of the Company's Bye-laws, Messrs. Lambert Lu, Chung Pui Lam and Walujo Santoso, Wally will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. All other remaining directors shall continue in office.

Brief biographical details of the directors are set out on pages 16 and 17.

Directors' Service Contracts

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

Directors' Interests in Contracts of Significance

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

Arrangements for Directors to Acquire Shares and Debentures

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

Directors' Interests in Competing Business

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

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

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

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

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

(v) Mr. Lam Sing Tai who holds directorships in a number of the members of the Group does not have any interests in businesses which compete or is likely to compete, either directly or indirectly, with the businesses of the Group.

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

Management Contracts

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its holding companies or subsidiaries were entered into or subsisted during the year.

Directors' and Chief Executives' Interests in Securities

At 31st December, 2006, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

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

	Number of shares of HK$0.1 each		Number of underlying shares (warrants)		Number of underlying shares (share options)		
Name of directors	**Beneficial interests**	**Interests held by controlled corporation**	**Beneficial interests**	**Interests held by controlled corporation**	**Beneficial interests**	**Total**	**% of shares in issue**
Lu Wing Yuk, Andrew	—	—	—	—	3,000,000	3,000,000∆	0.51
Tse Man Bun	100,000	—	—	—	—	100,000	0.02
Lincoln Lu	1,200,000	309,625,749	572,717	51,325,190	—	362,723,656*	62.21
Lambert Lu	1,200,000	309,625,749	572,717	51,325,190	—	362,723,656*	62.21
Lam Sing Tai	90,000	—	11,478#	—	—	101,478	0.02

Notes: ∆ The options were granted on 4th December, 2000, the exercise price is HK$1.44 per share and the exercisable period is from 4th December, 2000 to 3rd December, 2010.

* (1) Of these shares and warrants of the Company, 309,625,749 shares and warrants carrying 51,325,190 underlying shares deemed to be the interests of Messrs. Lincoln Lu and Lambert Lu represented the same interests and were, therefore, duplicated between these two directors for the purpose of the SFO. The said 309,625,749 shares and warrants carrying 51,325,190 underlying shares were held by Nan Luen International Limited ("NLI"), which was 63.58% owned by JCS Limited ("JCS") and was 3.21% owned by each of Messrs. Lincoln Lu and Lambert Lu.

(2) JCS was 26.09% owned by a discretionary trust, of which both directors are beneficiaries. In addition, Messrs. Lincoln Lu and Lambert Lu were each interested in 11.95% of the issued shares in JCS directly. JCS is deemed to be a controlled corporation of each of Messrs. Lincoln Lu and Lambert Lu by virtue of the SFO.

\# Of these shares, 5,739 shares were held by the spouse of Mr. Lam Sing Tai.

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

(a) JCS — ultimate holding company of the Company

Name of directors	Number of shares of HK$100.0 each Beneficial interests	Interests as discretionary trust beneficiary	Total	Approximate % of shares in issue
Lu Wing Chi	3,000	12,000[1]	15,000	32.61
Lincoln Lu	5,500	12,000[1]	17,500	38.04
Lambert Lu	5,500	12,000[1]	17,500	38.04

(b) NLI — immediate holding company of the Company

Name of directors	Number of shares of HK$100.0 each Beneficial interests	Interests held by controlled corporation	Total	Approximate % of shares in issue
Lu Wing Chi	46,938	—	46,938	30.00
Lincoln Lu	5,021	99,480[2]	104,501	66.79
Lambert Lu	5,021	99,480[2]	104,501	66.79

Notes:

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

2. 99,480 shares in NLI deemed to be the interests of Messrs. Lincoln Lu and Lambert Lu represented the same interests and were, therefore, duplicated between these two directors for the purpose of the SFO. These shares were held by JCS, which is deemed to be a controlled corporation of each of Messrs. Lincoln Lu and Lambert Lu by virtue of the SFO.

Further details of the interests of the directors and chief executive in the share options are stated in the section headed "Share Options" below.

Saved as disclosed above, as at 31st December, 2006, none of the directors and chief executive nor their respective associates (as defined in the Listing Rules) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options

Share options are unlisted derivatives physically settled in cash to subscribe for shares in the Company.

Old scheme

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

New scheme

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

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

1. Purpose

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

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

2. Participants

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

3. Total number of shares available for issue

   (a) 30% limit

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

(b) 10% limit

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

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

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

As at 18th April, 2007, the total number of shares available for issue under the New Scheme was 53,066,578, which represented approximately 8.97% of the issued share capital of the Company on that date.

4. Maximum entitlement of each Participant

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

5. Option period

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

6. Amount payable upon acceptance of option

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

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

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

8. Subscription price of shares

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

9. Remaining life

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

Options granted

During the year ended 31st December, 2006, the Company did not grant any share option under the New Scheme. All options granted prior to the termination of the Old Scheme will continue to be valid and exercisable in accordance with the provisions of the Old Scheme. No options were cancelled or lapsed during the year under review.

Details of the outstanding share options granted and held by a director as at 31st December, 2006, and those of another director and a participant who exercised their rights to subscribe for shares in the Company during the year pursuant to the Old Scheme are as follows:—

				Number of underlying shares comprised in share options		
Name of participants	**Date of grant**	**Exercise price per share** HK$	**Exercisable period**	**Balance as at 1.1.2006**	**Exercised during the year** (Note)	**Balance as at 31.12.2006**
Directors						
Lu Wing Chi	4.12.2000	1.44	4.12.2000 — 3.12.2010	12,500,000	(12,500,000)	—
Lu Wing Yuk, Andrew	4.12.2000	1.44	4.12.2000 — 3.12.2010	3,000,000	—	3,000,000
Total				15,500,000	(12,500,000)	3,000,000
Others						
A participant	4.12.2000	1.44	4.12.2000 — 3.12.2010	5,250,000	(5,250,000)	—
Total				5,250,000	(5,250,000)	—

Note: The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK$4.165 per share.

Substantial Shareholders' Interests in Securities

So far as is known to any director or the chief executive of the Company, as at 31st December, 2006, corporations or persons (other than a director or chief executive of the Company) who had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO, were as follows:—

Long positions in shares and underlying shares of the Company

	Number of shares of HK$0.1 each		Number of underlying shares (warrants)			
Name	Beneficial interests	Interests held by controlled corporation	Beneficial interests	Interests held by controlled corporation	Total	% of shares in issue
JCS[2]	—	309,625,749	—	51,325,190	360,950,939[1]	61.90
NLI[3]	309,625,749	—	51,325,190	—	360,950,939[1]	61.90
Pacific Rose Enterprises Limited	31,955,873	—	3,581,257	—	35,537,130	6.09

Notes:

1. 309,625,749 shares and warrants carrying 51,325,190 underlying shares held by NLI and deemed to be JCS' interest represented the same interests and were, therefore, duplicated between these two shareholders for the purpose of the SFO. JCS was interested in 63.58% of the issued shares in NLI.

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

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

Saved as disclosed above, the directors are not aware of any other corporation or person (other than a director or chief executive) who, as at 31st December, 2006, had any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept under Section 336 of the SFO.

Dealings in the Company's Shares and Warrants

During the year ended 31st December, 2006, the Company did not redeem any of its listed shares or warrants. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares or warrants during the year.

Major Suppliers and Major Customers

During the year, the aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 30% in aggregate of the Group's total purchases and sales respectively.

Corporate Governance

Throughout the year ended 31st December, 2006, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except that the roles of the chairman and chief executive officer were not separated and was performed by the same individual.

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 18 to 24.

Sufficiency of Public Float

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

Charitable Donations

During the year, the Group made charitable donations amounting to HK$354,000 (2005: HK$53,000).

Significant Post Balance Sheet Events

Details of the significant post balance sheet events are set out in note 48 to the consolidated financial statements.

Five-Year Financial Summary

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

Audit Committee

In the presence of representatives of Messrs. Deloitte Touche Tohmatsu ("DTT"), Certified Public Accountants, the Company's external auditor, the audit committee met on 17th April, 2007 and reviewed with the management the results and consolidated financial statements of the Company for the year ended 31st December, 2006.

Auditors

The consolidated financial statements of the Company for the year under review have been audited by DTT, who retire and, being eligible, offer themselves for re-appointment. Approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint DTT as auditors of the Company will be submitted to the forthcoming annual general meeting for shareholders' approval.

On behalf of the Board

Lu Wing Chi
Chairman and Managing Director

Hong Kong, 18th April, 2007

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF S E A HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of S E A Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 92, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 18th April, 2007

Consolidated Income Statement

For the year ended 31 December 2006

	NOTES	**2006 HK$'000**	2005 HK$'000
Revenue	6	**1,060,215**	940,163
Other income		**79,370**	59,734
Operating costs:			
Property and related costs	8	**(488,350)**	(475,247)
Staff costs		**(100,562)**	(116,099)
Depreciation		**(4,098)**	(5,081)
Other operating expenses	9(a)	**(178,323)**	(147,770)
		(771,333)	(744,197)
Loss on disposal of investment properties		**—**	(2,424)
Net gain (loss) on investments	10	**11,159**	(820)
Write down of properties held for sale		**(1,693)**	(36,233)
Profit from operations before fair value changes on investment properties		**377,718**	216,223
Fair value changes on investment properties		**708,911**	1,251,078
Profit from operations after fair value changes on investment properties		**1,086,629**	1,467,301
Gain on disposal of subsidiaries engaging in property investment and development		**—**	11,818
Gain on disposal of associates		**66,361**	—
Recognition of discount on acquisition/gain on deemed acquisition	11	**81,975**	36,787
Other loss	12	**(2,223)**	—
Share of results of associates		**2,436**	(3,359)
Share of results of jointly controlled entities		**—**	(290)
Finance costs	13	**(101,163)**	(75,869)
Profit before taxation	9(b)	**1,134,015**	1,436,388
Income tax expense	16	**(207,798)**	(287,264)
Profit for the year		**926,217**	1,149,124
Attributable to:			
Company's shareholders		**791,262**	1,072,273
Minority interests		**134,955**	76,851
		926,217	1,149,124
Dividends	17	**72,181**	54,556
Earnings per share	18		
Basic		**HK$1.4**	HK$2.0
Diluted		**HK$1.3**	HK$1.8

Consolidated Balance Sheet

At 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000
Non-current Assets			
Investment properties	19	**4,820,302**	4,018,159
Property, plant and equipment	20	**68,591**	31,740
Prepaid lease payments	21	**367,362**	327,365
Interests in associates	22	**17,766**	15,330
Interests in jointly controlled entities	23	**—**	—
Club memberships	24	**8,574**	8,574
Available-for-sale investments	24	**51,312**	81,591
Amounts due from associates	25	**—**	34,172
Amounts due from jointly controlled entities	26	**—**	2,790
Other loans receivable	27	**153,717**	60,963
		5,487,624	4,580,684
Current Assets			
Inventories	28	**1,014**	2,259
Properties held for sale	29	**758,327**	757,575
Properties under development held for sale	29	**2,312,471**	2,161,675
Prepaid lease payments	21	**8,696**	5,076
Held for trading investments	24	**453**	784
Other loans receivable	27	**35,670**	19,390
Receivables, deposits and prepayments	30	**166,589**	189,720
Income tax recoverable		**14,923**	1,544
Amounts due from jointly controlled entities	26	**8,700**	3,310
Pledged bank deposits	31	**200,708**	183,395
Restricted bank balances and deposits	32	**332,404**	—
Bank balances and deposits	33	**570,445**	795,707
		4,410,400	4,120,435
Current Liabilities			
Payables, deposits received and accrued charges	34	**439,203**	313,797
Sales deposits on properties held for sale received		**449,094**	133,659
Provisions	35	**15,148**	18,861
Income tax payable		**42,954**	63,610
Borrowings — due within one year	36	**1,538,744**	917,655
Amounts due to minority shareholders	37	**36,209**	141,949
		2,521,352	1,589,531
Net Current Assets		**1,889,048**	2,530,904
		7,376,672	7,111,588

Consolidated Balance Sheet

At 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000
Capital and Reserves			
Share capital	38	**58,310**	54,844
Reserves		**5,134,418**	4,299,577
Equity attributable to the Company's shareholders		**5,192,728**	4,354,421
Minority interests		**533,487**	760,679
Total Equity		**5,726,215**	5,115,100
Non-current Liabilities			
Amounts due to minority shareholders	37	**80,814**	70,376
Borrowings — due after one year	36	**1,019,675**	1,512,316
Other payables — due after one year	40	**—**	16,582
Deferred taxation	41	**549,968**	397,214
		1,650,457	1,996,488
		7,376,672	7,111,588

The consolidated financial statements on pages 38 to 92 were approved and authorised for issue by the Board of Directors on 18th April, 2007 and are signed on its behalf by:

Lu Wing Chi
CHAIRMAN AND MANAGING DIRECTOR

Tse Man Bun
EXECUTIVE DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Attributable to the Company's shareholders										
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Investments revaluation reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2005	51,154	155,961	71,843	9,608	4,451	277,707	30,692	2,697,505	3,298,921	828,800	4,127,721
Exchange movement during the year	—	—	(19,486)	—	—	—	—	—	(19,486)	(30,378)	(49,864)
Fair value changes on available-for-sale investments	—	—	—	2,638	—	—	—	—	2,638	—	2,638
Net (loss) profit recognised directly in equity	—	—	(19,486)	2,638	—	—	—	—	(16,848)	(30,378)	(47,226)
Released upon disposal of available-for-sale investments	—	—	—	866	—	—	—	—	866	—	866
Profit for the year	—	—	—	—	—	—	—	1,072,273	1,072,273	76,851	1,149,124
Total recognised profit for the year	—	—	(19,486)	3,504	—	—	—	1,072,273	1,056,291	46,473	1,102,764
Shares issue on exercise of warrants and share options	3,690	47,673	—	—	—	—	—	—	51,363	—	51,363
Dividend proposed	—	—	—	—	—	—	33,094	(33,094)	—	—	—
Dividend paid	—	—	—	—	—	—	(30,692)	(21,462)	(52,154)	(1,080)	(53,234)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	(113,514)	(113,514)
At 31 December 2005	54,844	203,634	52,357	13,112	4,451	277,707	33,094	3,715,222	4,354,421	760,679	5,115,100
Exchange movement during the year	—	—	45,805	—	—	—	—	—	45,805	(3,241)	42,564
Recognition of deferred tax liability arising from reversal of foreign currency translations	—	—	(7,430)	—	—	—	—	—	(7,430)	—	(7,430)
Fair value changes on available-for-sale investments	—	—	—	32,763	—	—	—	—	32,763	—	32,763
Net profit (loss) recognised directly in equity	—	—	38,375	32,763	—	—	—	—	71,138	(3,241)	67,897
Released upon disposal of available-for-sale investments	—	—	—	(9,130)	—	—	—	—	(9,130)	—	(9,130)
Profit for the year	—	—	—	—	—	—	—	791,262	791,262	134,955	926,217
Total recognised profit for the year	—	—	38,375	23,633	—	—	—	791,262	853,270	131,714	984,984
Shares issued on exercise of warrants and share options	3,466	45,429	—	—	—	—	—	—	48,895	—	48,895
Dividend proposed	—	—	—	—	—	—	41,417	(41,417)	—	—	—
Dividend paid	—	—	—	—	—	—	(33,094)	(29,153)	(62,247)	—	(62,247)
Additional prior year's final dividend paid on exercise of warrants subsequent to issue of the financial statements	—	—	—	—	—	—	—	(1,611)	(1,611)	—	(1,611)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	(358,906)	(358,906)
	58,310	249,063	90,732	36,745	4,451	277,707	41,417	4,434,303	5,192,728	533,487	5,726,215

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

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	2006 HK$'000	2005 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**1,134,015**	1,436,388
Adjustments for:		
Share of results of associates	**(2,436)**	3,359
Share of results of jointly controlled entities	—	290
Interest expenses	**90,168**	75,831
Gain on disposal of subsidiaries engaging in property investment and development	—	(11,818)
Depreciation	**4,098**	5,081
Fair value changes on investment properties	**(708,911)**	(1,251,078)
Fair value changes on held for trading investments	—	12
(Gain) loss on disposal of equity investments	**(10,289)**	900
Loss on disposal of investment properties	—	2,424
Write down of properties held for sale	**1,693**	36,233
Allowance for other loans receivable	**10,000**	—
(Reversal of allowance) allowance for trade and other receivables	**(298)**	472
Dividend income from equity investments	**(567)**	(1,771)
Interest income	**(57,379)**	(44,884)
Loss (gain) on disposal of property, plant and equipment	**194**	(84)
Gain on disposal of associates	**(66,361)**	—
Recognition of discount on acquisition/gain on deemed acquisition	**(81,975)**	(36,787)
Increase (decrease) in provision for rental guarantee resulting from re-measurement	**569**	(2,226)
Operating cash flows before movements in working capital	**312,521**	212,342
Decrease in inventories	**1,271**	1,099
(Increase) decrease in properties held for sale	**(1,832)**	780,852
Increase in properties under development held for sale	**(78,011)**	(906,675)
Decrease (increase) in receivables, deposits and prepayments	**41,445**	(128,746)
Increase in payables, deposits received and accrued charges	**116,858**	86,942
Increase in sales deposits on properties held for sale received	**307,342**	87,059
Payment of rehousing compensation	**(722)**	(5,173)
Payment of compensation for rental guarantees	**(3,936)**	(42,109)
Cash generated from operations	**694,936**	85,591
Interest paid on bank and other borrowings	**(137,010)**	(113,954)
Hong Kong Profits Tax paid	**(89,709)**	(453)
Overseas tax paid	**(13,319)**	(225)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**454,898**	(29,041)

For the year ended 31 December 2006

	NOTE	2006 HK$'000	2005 HK$'000
INVESTING ACTIVITIES			
Purchase of investment properties		**(50,239)**	(115)
Proceeds on disposal of investment properties		**—**	865,633
Purchase of property, plant and equipment		**(36,022)**	(117,198)
Proceeds on disposal of property, plant and equipment		**3,101**	860
Purchase of leasehold land		**(51,085)**	—
Dividend received from an associate		**—**	1,249
Dividend received from equity investments		**567**	1,771
Interest received		**51,953**	44,035
Purchase of equity investments		**(453)**	—
Proceeds on disposal of associates		**41,771**	—
Proceeds on disposal of equity investments		**64,985**	7,902
Advance to jointly controlled entities		**(2,600)**	(3,310)
Repayment of loan to (advance to) associates		**32,557**	(2,077)
Additions of other loans receivable		**(110,094)**	(70,075)
Repayments of other loans receivable		**6,477**	70,938
Increase in pledged bank deposits		**(17,313)**	(45,154)
Increase in restricted bank balances and deposits		**(325,892)**	—
Acquisition of additional interests in subsidiaries		**(276,931)**	(76,727)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	42	**—**	58,642
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(669,218)**	736,374
FINANCING ACTIVITIES			
Repayment of bank and other loans		**(975,742)**	(1,144,026)
Funds received from bank and other loans		**1,067,878**	467,886
Advances from minority shareholders		**3,118**	63,706
Repayment to minority shareholders		**(105,740)**	—
Dividends paid		**(63,858)**	(52,155)
Dividends paid to minority shareholders		**—**	(1,080)
Repayment of other payables		**—**	(1,410)
Proceeds on issuance of shares		**48,895**	51,363
NET CASH USED IN FINANCING ACTIVITIES		**(25,449)**	(615,716)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(239,769)**	91,617
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**795,707**	732,316
Effect of foreign exchange rate changes		**14,507**	(28,226)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and deposits		**570,445**	795,707

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

1. General

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

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

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position 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 standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC)-Int 8	Scope of HKFRS 2[4]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[7]
HK(IFRIC)-Int 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2006
[4] Effective for annual periods beginning on or after 1 May 2006
[5] Effective for annual periods beginning on or after 1 June 2006
[6] Effective for annual periods beginning on or after 1 November 2006
[7] Effective for annual periods beginning on or after 1 March 2007
[8] Effective for annual periods beginning on or after 1 January 2008

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated 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 on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. Significant Accounting Policies *(continued)*

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss in the value of individual investments.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

Interests in joint ventures

Jointly controlled assets

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of the jointly controlled assets and any liabilities incurred jointly with the other venturers are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured realisably.

3. Significant Accounting Policies *(continued)*

Interests in joint ventures *(continued)*

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to a jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss.

When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Revenue recognition

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

Sales of properties

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

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

Payments received from purchasers prior to this stage are recorded as sales deposits under current liabilities.

3. Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Others

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

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

Service income is recognised when services are provided.

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

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

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at costs including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

Property, plant and equipment

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

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

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

3. Significant Accounting Policies *(continued)*

Prepaid lease payments/properties under development

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

When the Group completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

Properties held for sale/properties under development held for sale

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

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

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Significant Accounting Policies *(continued)*

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial instruments

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

Financial assets

Investments

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

The Group's investments are classified into held for trading investments and available-for-sale investments, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses are recognised in profit or loss. Impairment losses are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. However, impairment losses for equity investments classified as available-for-sale are not reversed through profit or loss.

Loan and receivables

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

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for financial liabilities and equity instruments are set out below.

Borrowings

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

Other financial liabilities

Other financial liabilities including payables, other payables and amounts due to minority shareholders are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

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

3. Significant Accounting Policies *(continued)*

Club memberships

On initial recognition, club memberships are recognised at cost. After initial recognition, club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

Club memberships with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Inventories

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

3. Significant Accounting Policies *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit scheme/the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. Key Sources of Estimation Uncertainty

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

Income tax

No deferred tax asset has been recognised in respect of tax losses of HK$695,506,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which it takes place.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the directors of the Group have exercised their judgment and are satisfied that the method of valuation of is reflective of the current market conditions.

5. Financial Instruments

Financial risk management objectives and policies

The Group's major financial instruments include loans and receivables, bank balances, borrowings and other financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank loans of the Group are denominated in foreign currencies (note 36). The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Cash flow interest rate risk

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

The interest rate risk for bank balances exposed is considered minimal as such amounts are placed in banks with maturity less than three months.

Price risk

The Group is exposed to the price risk through its available-for-sale investments and held for trading investments. The management manages this exposure by closely monitoring the performance of the investments.

Credit risk

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

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

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

5. Financial Instruments *(continued)*

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. Revenue

	2006 **HK$'000**	2005 HK$'000
Gross rental income	**136,216**	128,152
Sale of properties	**896,828**	767,653
Sales of goods	**25,364**	41,436
Agency and service fees income	**908**	487
Dividend income	**567**	1,771
Project management fee income	**332**	664
	1,060,215	940,163

7. Geographical and Business Segments

Geographical segments

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

Consolidated Income Statement for the year ended 31 December 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 sales	163,603	72,436	14,770	809,406	—	—	1,060,215
Inter-segment sales*	—	—	—	70,456	—	(70,456)	—
Total revenue	163,603	72,436	14,770	879,862	—	(70,456)	1,060,215

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

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS							
Segment (loss) profit	(34,950)	24,015	109,437	1,041,183	(1,429)	—	1,138,256
Interest income							57,379
Gain on disposal of associates	66,361	—	—	—	—	—	66,361
Recognition of discount on acquisition/gain on deemed acquisition	40,233	—	7,483	34,259	—	—	81,975
Unallocated corporate expenses							(111,229)
Share of results of associates	2,436	—	—	—	—	—	2,436
Finance costs							(101,163)
Profit before taxation							1,134,015
Income tax expense							(207,798)
Profit for the year							926,217

7. Geographical and Business Segments *(continued)*

Geographical segments *(continued)*

Other Information for the year ended 31 December 2006

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
Capital additions	1,798	—	51,415	32,878	170	86,261
Depreciation	1,273	713	430	1,571	111	4,098
(Loss) gain on disposal of property, plant and equipment	(246)	—	(118)	170	—	(194)
Fair value changes on investment properties	(601)	17,064	125,448	567,000	—	708,911
Net gain on disposal of investments	—	—	—	10,289	—	10,289
Reversal of allowance for trade and other receivables	298	—	—	—	—	298
Allowance for other loans receivable	—	—	—	10,000	—	10,000
Net exchange (loss) gain	(19,404)	372	(313)	1,437	—	(17,908)

Consolidated Balance Sheet at 31 December 2006

	New Zealand HK$'000	Australia HK$'000	PRC HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	890,001	251,009	1,274,035	6,346,361	372	8,761,778
Interests in associates	17,766	—	—	—	—	17,766
Restricted bank balances and deposits	—	—	332,404	—	—	332,404
Income tax recoverable						14,923
Unallocated corporate assets						771,153
Consolidated total assets						9,898,024
LIABILITIES						
Segment liabilities	96,611	4,281	523,991	277,872	690	903,445
Borrowings						2,558,419
Amounts due to minority shareholders						117,023
Income tax payable						42,954
Deferred taxation						549,968
Consolidated total liabilities						4,171,809

7. Geographical and Business Segments *(continued)*

Geographical segments *(continued)*

Consolidated Income Statement for the year ended 31 December 2005

	New Zealand	Australia	PRC	Hong Kong	Others	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE							
External sales	207,216	187,758	3,265	541,924	—	—	940,163
Inter-segment sales*	—	—	—	43,096	—	(43,096)	—
Total revenue	207,216	187,758	3,265	585,020	—	(43,096)	940,163

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

	New Zealand	Australia	PRC	Hong Kong	Others	Eliminations	Consolidated
RESULTS							
Segment (loss) profit	(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

7. Geographical and Business Segments *(continued)*

Geographical segments *(continued)*

Other Information for the year ended 31 December 2005

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

Consolidated Balance Sheet at 31 December 2005

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

7. Geographical and Business Segments *(continued)*

Business segments

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

Principal activities are as follows:

Property investment	—	rental of properties
Garment manufacturing and trading	—	manufacturing and trading of garment products
Investment	—	investment in financial instruments
Property development	—	development of properties

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

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

	Sales revenue by business segment	
	2006	2005
	HK$'000	HK$'000
Property investment	**123,256**	128,152
Garment manufacturing and trading	**25,364**	31,287
Investment	**567**	1,771
Property development	**909,788**	767,653
Others	**1,240**	11,300
	1,060,215	940,163

7. Geographical and Business Segments *(continued)*

Business segments *(continued)*

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

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Property investment	**5,324,493**	3,717,235	**50,232**	7,592
Garment manufacturing and trading	**8,617**	7,164	**—**	6
Investment	**71,121**	98,332	**3,413**	1,220
Property development	**3,356,850**	3,836,616	**31,904**	106,551
Others	**697**	5,524	**712**	—
	8,761,778	7,664,871	**86,261**	115,369
Unallocated corporate assets	**1,136,246**	1,036,248	**—**	1,944
	9,898,024	8,701,119	**86,261**	117,313

8. Property and Related Costs

	2006 HK$'000	2005 HK$'000
Changes in inventories of manufactured finished goods and work-in-progress	**(1,245)**	(1,138)
Raw materials and consumables used	**(10,387)**	(12,875)
Purchase of goods held for resale	**—**	(1,523)
Changes in properties held for sale/properties under development held for sales	**151,548**	527,534
Costs incurred on properties held for sale/properties under development held for sales	**(628,266)**	(987,245)
	(488,350)	(475,247)

9. Other Operating Expenses/Profit before Taxation

(a) Other operating expenses

	2006 HK$'000	2005 HK$'000
Included in other operating expenses are:		
Legal and professional fees	**23,950**	13,141
Selling and marketing expenses	**49,132**	66,648

(b) Profit before taxation

	2006 HK$'000	2005 HK$'000
Profit before taxation has been arrived at after charging:		
Auditors' remuneration		
Current year	**4,256**	3,858
Underprovision for prior years	**977**	—
Allowance for other loans receivable	**10,000**	—
Allowance for trade and other receivables	**—**	472
Directors' emoluments (note 14)	**49,680**	62,092
Loss on disposal of property, plant and equipment	**194**	—
Minimum lease payments under operating leases	**8,537**	8,569
Net exchange loss	**17,908**	—
and crediting:		
Gross rental income from investment properties	**123,256**	128,093
Less: Direct operating expenses from investment properties that generate rental income during the year	**(22,274)**	(11,592)
Net rental income from investment properties	**100,982**	116,501
Rental income from other properties	**12,960**	59
Interest earned on bank deposits	**40,449**	34,457
Other interest income	**16,930**	10,427
	57,379	44,884
Gain on disposal of property, plant and equipment	**—**	84
Reversal of allowance for trade and other receivables	**298**	—
Dividend income from equity investments	**567**	1,771
Net exchange gain	**—**	5,070

10. Net Gain (Loss) on Investments

	2006 HK$'000	2005 HK$'000
Fair value changes on held for trading investments	—	(12)
Net gain (loss) on disposal of investments (note)	**10,289**	(900)
Others	**870**	92
	11,159	(820)

Note: Amount included adjustment on fair value gain on available-for-sale investments of HK$9,130,000 (2005: a fair value loss of HK$866,000) released from investments revaluation reserve.

11. Recognition of Discount on Acquisition/Gain on Deemed Acquisition

	Notes	2006 HK$'000	2005 HK$'000
Recognition of discount on acquisition arising from the acquisition of additional interests in subsidiaries	(a)	**60,622**	—
Recognition of gain on deemed acquisition	(b)	**21,353**	36,787
		81,975	36,787

Notes:

(a) On 15 December 2005, a 66% subsidiary of the Group, Trans Tasman Properties Limited ("TTP"), which is listed on New Zealand Stock Exchange Limited, offered to its shareholders to exchange two shares in TTP for one share in a wholly-owned subsidiary of TTP, Asian Growth Properties Limited ("AGP") for the purpose of listing the shares of AGP on the Alternative Investment Market ("AIM") of London Stock Exchange Plc. During the year, AGP was successfully listed on the AIM. The spin off of AGP had no significant financial impact to the Group. Subsequently, the Group acquired further AGP shares resulting in a discount on acquisition of HK$53,139,000 (2005: Nil), which represents the difference between additional share of net asset value over consideration.

In December 2006, the Group acquired 3% additional interest in Chengdu Huashang House Development Co., Ltd 成都華商房屋開發有限公司 from another shareholder of that company resulting in a discount of acquisition of HK$7,483,000. Since then, that company has become a wholly owned subsidiary of the Group. The directors consider the acquisition is conducted at arm's length.

(b) During the year, TTP repurchased its shares from minority shareholders resulting in a gain on deemed acquisition of HK$21,353,000 (2005: HK$36,787,000). All of the repurchased shares were cancelled.

12. Other Loss

On 5 October 2006, AGP issued 668,653,817 ordinary shares to the Group as part of the consideration paid for the acquisition of property interests through acquisition of a wholly-owned subsidiary of the Group. Since then, the Group's interests in this wholly-owned subsidiary and AGP had been decreased by 3.58% to 96.42% and increased by 11% to 96.42%, respectively, which resulted in a charge of HK$2,223,000 to the consolidated income statement.

13. Finance Costs

	2006 HK$'000	2005 HK$'000
Interest on:		
Bank loans wholly repayable within 5 years	**123,852**	52,216
Other loans wholly repayable within 5 years	**6,541**	50,326
Bank loans not wholly repayable within 5 years	**6,617**	4,234
Other loans not wholly repayable within 5 years	**—**	7,178
	137,010	113,954
Less: Amounts capitalised to property development projects	**(51,950)**	(42,671)
	85,060	71,283
Facilities charges	**10,995**	38
Imputed interest on amounts due to minority shareholders	**4,300**	3,740
Imputed interest on other payables	**808**	808
	101,163	75,869

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 8% (2005: 7%) per annum to expenditure on qualifying assets.

14. Directors' Emoluments

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

	Lu Wing Chi HK$'000	Lu Wing Yuk, Andrew HK$'000	Lu Wing Lin HK$'000	Lincoln Lu HK$'000	Lambert Lu HK$'000	Lu Yong Lee HK$'000	Tse Man Bun HK$'000	Lam Sing Tai HK$'000	Walujo Santoso Wally HK$'000	Leung Hok Lim HK$'000	Chung Pui Lam HK$'000	Total HK$'000
2006												
Fees	20	20	–	20	20	–	20	15	130	150	150	545
Other emoluments												
Salaries and other benefits	3,000	516	–	1,440	1,440	–	2,400	1,200	–	–	–	9,996
Retirement benefits scheme contribution	450	65	–	144	144	–	240	180	–	–	–	1,223
Discretionary and performance based bonus	29,972	300	–	2,498	2,498	–	2,498	150	–	–	–	37,916
Total emolument	33,442	901	–	4,102	4,102	–	5,158	1,545	130	150	150	49,680
2005												
Fees	20	20	20	20	20	18	20	–	130	150	150	568
Other emoluments												
Salaries and other benefits	3,000	480	440	1,320	1,320	–	2,400	–	–	–	–	8,960
Retirement benefits scheme contribution	450	60	66	132	132	–	240	–	–	–	–	1,080
Discretionary and performance based bonus	40,787	–	500	3,399	3,399	–	3,399	–	–	–	–	51,484
Total emolument	44,257	560	1,026	4,871	4,871	18	6,059	–	130	150	150	62,092

The discretionary and performance bonus to the executive directors is calculated based on the profit before taxation attributable to the Company's shareholders.

15. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2005: four) were directors of the Company whose emoluments are included in the disclosures in note 14. The emoluments of the remaining one (2005: one) individual were as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other remuneration	**5,192**	5,431

Their emoluments were within the following bands:

	2006 Number of employee	2005 Number of employee
HK$5,000,001 to HK$5,500,000	**1**	1

16. Income Tax Expense

	2006 HK$'000	2005 HK$'000
The charge comprises:		
Current year		
Hong Kong	**76,368**	44,389
Other jurisdictions	**98**	1,419
	76,466	45,808
Under(over)provision in prior years		
Hong Kong	**667**	—
Other regions in the PRC	**(7,439)**	—
Other jurisdictions	**(4)**	(77)
	(6,776)	(77)
Deferred tax		
Current year	**138,108**	241,533
	207,798	287,264

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

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

Details of deferred taxation are set out in note 41.

16. Income Tax Expense *(continued)*

The income tax expense for the year can be reconciled from profit before taxation per the consolidated income statement as follows:

	Hong Kong and PRC		New Zealand, Australia and others		Total	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Profit before taxation	**1,059,367**	1,431,768	**74,648**	4,620	**1,134,015**	1,436,388
Applicable income tax rate	**17.5%**	17.5%	**33%**	33%		
Tax at the applicable income tax rate	**185,389**	250,559	**24,634**	1,525	**210,023**	252,084
Tax effect of expenses not deductible for tax purpose	**10,726**	7,594	**22,562**	33,646	**33,288**	41,240
Tax effect of income not taxable for tax purpose	**(12,517)**	(33,483)	**(37,329)**	(13,837)	**(49,846)**	(47,320)
Overprovision in prior years	**(6,772)**	—	**(4)**	(77)	**(6,776)**	(77)
Tax effect of (utilisation of tax losses previously not recognised) tax losses not recognised, net	**24,751**	14,695	**(7,586)**	(20,520)	**17,165**	(5,825)
Tax effect of decrease in deferred tax assets on deductible temporary differences not recognised	**(11,035)**	(656)	**—**	—	**(11,035)**	(656)
Withholding tax on dividend income	**—**	—	**—**	315	**—**	315
Effect of different tax rates of subsidiaries operated in other jurisdictions	**16,164**	47,224	**(600)**	(322)	**15,564**	46,902
Others	**(671)**	168	**86**	433	**(585)**	601
Income tax expense for the year	**206,035**	286,101	**1,763**	1,163	**207,798**	287,264

17. DIVIDENDS

	2006 HK$'000	2005 HK$'000
Dividend recognised as distribution during the year:		
Final — HK7 cents per share (2005: HK6 cents)	**41,417**	33,094
Interim — HK5 cents per share (2005: HK4 cents)	**30,764**	21,462
	72,181	54,556

A final dividend of HK7 cents (2005: HK6 cents) per share has been recommended by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

18. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to the Company's shareholders is based on the following data:

	2006 **HK$'000**	2005 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**791,262**	1,072,273

	Number of shares	
	2006	2005
Weighted average number of ordinary shares for the purposes of basic earnings per share	**570,775,090**	523,677,685
Effect of dilutive potential ordinary shares		
Options	**5,802,446**	12,697,452
Warrants	**53,089,835**	59,666,538
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**629,667,371**	596,041,675

19. Investment Properties

	Hong Kong held under long leases HK$'000	**Hong Kong held under medium-term leases** HK$'000	**PRC held under long leases** HK$'000	**PRC held under medium-term leases** HK$'000	**Australia held under long leases** HK$'000	**New Zealand held under freehold** HK$'000	**New Zealand held under long leases** HK$'000	**New Zealand held under medium-term leases** HK$'000	**New Zealand held under short-term leases** HK$'000	**Total** HK$'000
AT FAIR VALUE										
At 1 January 2005	178,350	2,100,000	–	40,512	176,660	929,118	178,768	21,396	–	3,624,804
Exchange adjustments	–	–	–	767	(10,335)	(21,388)	(3,978)	(708)	–	(35,642)
Additions	–	–	–	–	–	115	–	–	–	115
Transfer from property, plant and equipment	–	–	273,142	–	–	214	–	–	–	273,356
Transfer from prepaid lease payments	–	–	32,810	–	–	–	–	–	–	32,810
Eliminated on disposal of subsidiaries	–	–	–	(63,168)	–	–	–	–	–	(63,168)
Disposals	–	–	–	–	–	(868,057)	–	–	–	(868,057)
Transfer to properties held for sale	–	–	–	–	–	(1,427)	(174,790)	(20,920)	–	(197,137)
Increase (decrease) in fair value	52,250	800,000	386,184	21,889	(592)	(8,194)	–	(459)	–	1,251,078
Reallocation	–	–	–	–	–	(7,892)	–	7,892	–	–
At 31 December 2005	230,600	2,900,000	692,136	–	165,733	22,489	–	7,201	–	4,018,159
Exchange adjustments	–	–	28,037	–	13,887	(210)	1,078	(317)	518	42,993
Additions	–	–	50,239	–	–	–	–	–	–	50,239
Increase (decrease) in fair value	33,000	534,000	125,448	–	17,064	209	–	–	(810)	708,911
Reallocation	(4,600)	4,600	–	–	–	(12,655)	12,655	(6,884)	6,884	–
At 31 December 2006	259,000	3,438,600	895,860	–	196,684	9,833	13,733	–	6,592	4,820,302

19. Investment Properties *(continued)*

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

The fair value of the Group's investment properties at 31 December 2006 had been arrived at on the basis carried out at that date by independent professional valuers as follows:

Properties situated in	**Name of independent professional valuers**
Hong Kong held under medium-term and long leases	Savills Valuation and Professional Services Limited
PRC held under long leases	Savills Valuation and Professional Services Limited
Australia held under long leases	Colliers International Consultancy and Valuation Pty Limited
New Zealand held under freehold	Fright Aubrey
New Zealand held under short-term leases	CB Richard Ellis Limited

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

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

20. Property, Plant and Equipment

	Properties under development HK$'000	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST							
At 1 January 2005	372,089	489	25,609	11,970	3,007	2,635	415,799
Exchange adjustments	3,434	(21)	(732)	(448)	(4)	(94)	2,135
Additions	102,337	—	4,344	8,548	6	1,963	117,198
Amortisation of prepaid lease payments capitalised	5,606	—	—	—	—	—	5,606
Disposals	—	—	(841)	(1,672)	(17)	—	(2,530)
Transfer to properties held for sale	(199,964)	—	—	—	—	—	(199,964)
Transfer to investment properties	(273,142)	—	(214)	—	—	—	(273,356)
Reallocation	—	—	(66)	—	66	—	—
At 31 December 2005	10,360	468	28,100	18,398	3,058	4,504	64,888
Exchange adjustments	—	29	164	840	6	74	1,113
Additions	28,755	—	1,571	5,339	28	329	36,022
Amortisation of prepaid lease payments capitalised	7,468	—	—	—	—	—	7,468
Disposals	—	—	(6,209)	(3,142)	—	—	(9,351)
At 31 December 2006	46,583	497	23,626	21,435	3,092	4,907	100,140
DEPRECIATION							
At 1 January 2005	—	162	19,026	6,926	1,757	2,504	30,375
Exchange adjustments	—	(7)	(502)	(27)	(1)	(11)	(548)
Provided for the year	—	16	2,384	1,719	168	794	5,081
Eliminated on disposals	—	—	(623)	(1,126)	(11)	—	(1,760)
At 31 December 2005	—	171	20,285	7,492	1,913	3,287	33,148
Exchange adjustments	—	12	101	191	4	51	359
Provided for the year	—	16	1,022	1,946	136	978	4,098
Eliminated on disposals	—	—	(4,144)	(1,912)	—	—	(6,056)
At 31 December 2006	—	199	17,264	7,717	2,053	4,316	31,549
CARRYING VALUES							
At 31 December 2006	46,583	298	6,362	13,718	1,039	591	68,591
At 31 December 2005	10,360	297	7,815	10,906	1,145	1,217	31,740

20. Property, Plant and Equipment *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of their estimated residual values at the following rates per annum:

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

The carrying values of properties shown above comprises:

	Properties under development		**Buildings**	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
In PRC held under long leases	**—**	—	**89**	93
In Hong Kong held under medium-term leases	**46,583**	10,360	**—**	—
In Indonesia under long leases	**—**	—	**209**	204
	46,583	10,360	**298**	297

21. Prepaid Lease Payments

	2006 HK$'000	2005 HK$'000
Leasehold land in Hong Kong held under medium-term lease	**376,058**	332,441
Analysed for reporting purposes as:		
Current	**8,696**	5,076
Non-current	**367,362**	327,365
	376,058	332,441

Amortisation of prepaid lease payments amounting to HK$7,468,000 (2005: HK$5,606,000) was capitalised to properties under development.

22. Interests in Associates

	2006 **HK$'000**	2005 HK$'000
Investment cost — unlisted	**16,594**	16,594
Share of post-acquisition profits	**1,172**	(1,264)
Goodwill on acquisition of associates	**80,396**	80,396
Impairment loss recognised	**(80,396)**	(80,396)
	17,766	15,330

Details of the Group's principal associates at 31 December 2006, all of which are companies with limited liability, are as follows:

Name of associate	Form of business structure	Place/ country of incorporation/ operation	Class of shares held	Effective percentage of nominal value of issued equity capital indirectly held by the Company	Principal activities
e-commerce Logistics Limited	Incorporated	Hong Kong	Ordinary	24	e-fulfillment, warehousing and delivery services
GSB Supplycorp Limited	Incorporated	New Zealand	Ordinary	46	Public sector e-procurement
New Zealand Land Trust Holdings Limited	Incorporated	New Zealand	Ordinary	25	Property development
Professional Service Brokers Limited	Incorporated	New Zealand	Ordinary Preference	47 47	e-procurement management
Supplynet Limited	Incorporated	New Zealand	Ordinary	46	e-commerce marketplace

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

22. Interests in Associates *(continued)*

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

	2006 HK$'000	2005 HK$'000
Total assets	**49,163**	308,549
Total liabilities	**(11,541)**	(258,208)
	37,622	50,341
Revenue	**43,037**	37,850
Profit (loss) for the year	**4,872**	(2,978)

23. Interests in Jointly Controlled Entities

	2006 HK$'000	2005 HK$'000
Cost of unlisted investments in a jointly controlled entity	**24,521**	24,521
Share of post-acquisition losses	**(24,521)**	(24,521)
	—	—

As at 31 December 2006, the Group had interests in the following principal jointly controlled entity formed as a Sino-foreign equity joint venture:

Name of entity	Form of business structure	Country of registration/ operation	Registered capital	Effective percentage of registered capital indirectly held by the Company	Principal activity
成都岷強房地產開發有限公司 (Chengdu Mingqiang Real Estate Co., Ltd.)	Equity joint venture	PRC	US$6,000,000	50	Property investment

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

23. Interests in Jointly Controlled Entities *(continued)*

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

	2006 HK$'000	2005 HK$'000
Non-current assets	127	145
Current assets	157,599	149,622
Total assets	157,726	149,767
Non-current liabilities	—	(96,130)
Current liabilities	(168,388)	(55,171)
Total liabilities	(168,388)	(151,301)
	(10,662)	(1,534)
Revenue	7,174	7,148
Expenses	(17,830)	(9,263)
Loss for the year	(10,656)	(2,115)

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

	2006 HK$'000	2005 HK$'000
Unrecognised share of loss of the jointly controlled entity for the year	5,328	767
Accumulated unrecognised share of loss of the jointly controlled entity	6,095	767

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

23. Interests in Jointly Controlled Entities *(continued)*

At 31 December 2006, the aggregate amount of assets and liabilities recognised in the consolidated financial statements in relation to the Group's interests in jointly controlled assets are as follows:

	2006 HK$'000	2005 HK$'000
Total assets	**80,280**	29,056
Total liabilities	**(80,280)**	(29,056)
Income	**—**	—
Expenses	**—**	—

24. Club Memberships/Available-For-Sale Investments/Held For Trading Investments

	2006 HK$'000	2005 HK$'000
Investments in securities		
Equity securities (at fair value):		
Listed — Hong Kong	**51,765**	78,461
— Overseas	**—**	3,914
	51,765	82,375
Club memberships (at cost less impairment):		
Unlisted	**8,574**	8,574
	60,339	90,949
Classified as:		
Club memberships	**8,574**	8,574
Available-for-sale investments	**51,312**	81,591
Held for trading investments	**453**	784
	60,339	90,949

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

24. Club Memberships/Available-For-Sale Investments/Held For Trading Investments *(continued)*

Investments in listed equity securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

Fair value changes on available-for-sale investment amounting to HK$32,763,000 (2005: HK$2,638,000) were credited to investments revaluation reserve for the year.

25. Amounts due from Associates

Balance at 31 December 2005 was unsecured, bore fixed interest at 8.5% per annum and repayable within two years from May 2004 but extendable for an additional year. However, this outstanding balance was fully settled during the year.

26. Amounts due from Jointly Controlled Entities

	2006 **HK$'000**	2005 HK$'000
Non-current	**—**	2,790
Current	**8,700**	3,310
	8,700	6,100

Balances are unsecured and interest-free and recoverable within one year.

27. Other Loans Receivable

	2006 **HK$'000**	2005 HK$'000
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	**35,670**	19,390
Non-current assets (receivable after 12 months from the balance sheet date)	**153,717**	60,963
	189,387	80,353

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

27. Other Loans Receivable *(continued)*

The loans are repayable as follows:

	2006 HK$'000	2005 HK$'000
Within one year	**35,670**	19,390
In more than one year but not more than two years	**5,723**	4,080
In more than two years but not more than three years	**4,221**	3,344
In more than three years but not more than four years	**4,558**	1,986
In more than four years but not more than five years	**4,923**	2,139
In more than five years	**134,292**	49,414
	189,387	80,353

The average effective interest rates of other loans receivable are 7.75% to 10% (2005: 7.75%) per annum.

28. Inventories

	2006 HK$'000	2005 HK$'000
Raw materials	**—**	344
Work-in-progress	**995**	1,218
Finished goods	**19**	697
	1,014	2,259

29. Properties held for Sale/Properties under Development held for Sale

At 31 December 2006, the total borrowing costs capitalised to properties held for sale/ properties under development held for sale were HK$81,218,000 (2005: HK$29,268,000).

The Group's properties held for sale of HK$457,661,000 (2005: HK$352,461,000) and HK$300,666,000 (2005: HK$405,114,000) are situated in Hong Kong and New Zealand and Australia respectively. Included in the Group's properties held for sale are HK$300,666,000 (2005: HK$405,114,000) which are held under freehold. All other properties are held under medium to long term leases.

The Group's properties under development held for sales of HK$1,610,679,000 (2005: HK$1,713,841,000), HK$386,723,000 (2005: HK$246,429,000) and HK$315,069,000 (2005: HK$201,405,000) are situated on Hong Kong, New Zealand and Australia and the PRC respectively. Included in the Group's properties under development held for sale are HK$213,977,000 (2005: HK$218,152,000) which are held under freehold. All other properties under development held for sales are held under medium to long term leases.

Included in the Group's properties under development held for sale are HK$965,781,000 (2005: HK$201,404,000) which are expected to be recovered more than twelve months after the balance sheet date.

30. Receivables, Deposits and Prepayments

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

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

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

	2006	2005
	HK$'000	HK$'000
0 to 60 days	**22,220**	7,037
61 to 90 days	**234**	202
91 to 365 days	**846**	1,461
Over 365 days	**—**	575
	23,300	9,275

31. Pledged Bank Deposits

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

The deposits carry fixed interest rates ranging from 3.6% to 4.4% per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

32. Restricted Bank Balances and Deposits

Bank deposits of HK$332,404,000 being proceeds received upon the pre-sale of certain units of a property under development held for sale are placed in several banks and to be used solely for tax payment and settlement of the construction cost of the related property. The bank deposits carry fixed interest rates ranging from 0.7% to 1.4% per annum.

33. Bank Balances and Deposits

Bank balances and deposits comprise cash held by the Group and short-term bank deposits which carry fixed interest rate ranging from 3.5% to 4.1% (2005: 3.0% to 4.0%) per annum with an original maturity of three months or less.

34. Payables, Deposits Received and Accrued Charges

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

	2006 **HK$'000**	2005 HK$'000
0 to 60 days	**17,452**	77,166
61 to 90 days	**98,110**	400
91 to 365 days	**212**	686
Over 365 days	**—**	3,188
	115,774	81,440

35. PROVISIONS

	Rehousing compensation HK$'000	**Rental guarantee** HK$'000	**Total** HK$'000
At 1 January 2005	60,032	49,329	109,361
Exchange adjustments	1,360	(1,216)	144
Reversal of provision in the year	(41,136)	(2,226)	(43,362)
Payment for the year	(5,173)	(42,109)	(47,282)
At 31 December 2005	15,083	3,778	18,861
Exchange adjustments	520	(144)	376
Additional provisions recognised	—	569	569
Payment for the year	(722)	(3,936)	(4,658)
At 31 December 2006	14,881	267	15,148

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

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

36. Borrowings

	2006 HK$'000	2005 HK$'000
Bank loans		
— secured	**2,505,673**	2,300,379
— unsecured	**52,746**	129,308
Other loans — unsecured	**—**	284
Total borrowings	**2,558,419**	2,429,971
The borrowings are repayable as follows:		
Bank loans:		
On demand or within one year	**1,538,744**	917,655
More than one year, but not exceeding two years	**148,495**	608,581
More than two years, but not exceeding three years	**90,386**	50,040
More than three years, but not exceeding four years	**48,873**	139,784
More than four years, but not exceeding five years	**650,598**	54,226
More than five years	**81,323**	659,401
	2,558,419	2,429,687
Other loans:		
More than five years	**—**	284
Total	**2,558,419**	2,429,971
Less: Amounts due for settlement within 12 months shown under current liabilities	**(1,538,744)**	(917,655)
Amounts due for settlement after 12 months	**1,019,675**	1,512,316

The directors believe that the contractual interest rates represent prevailing market rates and therefore, the fair values of the bank borrowings at 31 December 2006 estimated by discounting their future cash flows at the prevailing market borrowing rates approximate to the corresponding carrying amounts.

The average effective interest rates of the borrowings are ranging from 4.5% to 12.5% (2005: 3.8% to 11.7%) per annum.

36. Borrowings *(continued)*

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

Denominated in	2006 HK$'000	2005 HK$'000	Interest rate
Bank loans			
Hong Kong dollars	**1,708,709**	1,405,008	Hong Kong Interbank Money Market Offer Rate plus 0.5% to 0.8%
	80,000	—	Hong Kong Prime Rate minus 2.0%
Renminbi	**267,366**	137,269	10% discount from People's Bank of China lending rate
Australian dollars	**106,687**	68,542	7.3%
New Zealand dollars	**335,950**	765,561	90 days bank bill bid rate plus 0.8% to 2.5%
Indonesian Rupiah	**59,707**	53,307	4.8% to 14.6%
	2,558,419	2,429,687	
Other loans			
New Zealand dollars	**—**	284	6.7% to 10.3%
	2,558,419	2,429,971	

At 31 December 2006, there was bank borrowing amounting to HK$80,000,000 (2005: Nil) denominated in Hong Kong dollars which was not the functional currency of a subsidiary.

37. Amounts due to Minority Shareholders

Amounts due to minority shareholders of HK$36,209,000 (2005: HK$141,949,000) are unsecured, interest-free and repayable within twelve months from balance sheet date.

Amounts due to minority shareholders of HK$80,814,000 (2005: HK$70,376,000) are unsecured, interest-free and the minority shareholders have contracted not to demand repayment within twelve months from balance sheet date. Accordingly, the amounts are shown as non-current.

The amounts are carried at amortised cost using the effective interest rate of 4% (2005: 4%) per annum.

38. Share Capital

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

	Number of shares		Nominal value	
	2006	2005	**2006 HK$'000**	2005 HK$'000
Ordinary shares of HK$0.1 each:				
Authorised:				
At beginning and end of year	**1,000,000,000**	1,000,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning of the year	**548,443,165**	511,538,607	**54,844**	51,154
Shares issued upon exercise of warrants	**16,909,199**	29,654,558	**1,691**	2,965
Shares issued upon exercise of share options	**17,750,000**	7,250,000	**1,775**	725
At end of the year	**583,102,364**	548,443,165	**58,310**	54,844

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

39. Warrants

The Company had outstanding warrants expiring in 2008 entitling the registered holders to subscribe in cash for fully paid shares of HK$0.1 each of the Company at a subscription price of HK$1.38 per share, subject to anti-dilutive adjustment, until 3 December 2008. At 31 December 2006, the aggregate par value of shares issuable against the outstanding warrants amounted to HK$7,416,000 (2005: HK$9,107,000) and the amount receivable by the Company upon full exercise of the warrants amounted to HK$102,346,000 (2005: HK$125,681,000).

Exercise in full of the rights attached to the 2008 warrants still outstanding at 31 December 2006 would, under the present capital structure of the Company, result in the issue of 74,164,000 (2005: 91,073,000) additional shares of HK$0.1 each.

40. Other Payables

The other payables are unsecured, interest-free and repayable by the end of a property development project which is expected to be completed within one year from the balance sheet date. Accordingly, the amounts are shown as current. The average effective interest rate of the amounts are 4.3% (2005: 4.3%) per annum.

41. Deferred Taxation

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

	Accelerated tax depreciation HK$'000	Revaluation on properties HK$'000	Others HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2005	21,922	162,177	2,127	(19,713)	166,513
Exchange adjustments	(901)	3,087	—	927	3,113
Charge (credit) to consolidated income statement for the year	21,790	240,585	(327)	(20,515)	241,533
Eliminated on disposal of subsidiary	(1,936)	(12,009)	—	—	(13,945)
At 31 December 2005	40,875	393,840	1,800	(39,301)	397,214
Exchange adjustments	318	7,365	—	(467)	7,216
Charge (credit) to consolidated income statement for the year	1,478	143,793	(327)	(6,836)	138,108
Charge to equity for the year	—	—	7,430	—	7,430
At 31 December 2006	42,671	544,998	8,903	(46,604)	549,968

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

At 31 December 2006, the Group has unused tax losses of HK$886,026,000 (2005: HK$772,916,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$190,520,000 (2005: HK$134,926,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$695,506,000 (2005: HK$637,990,000) due to the unpredictability of future profit streams.

At 31 December 2006, the Group has deductible temporary differences in respect of write down of properties held for sales of HK$108,792,000 (2005: HK$167,686,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is uncertain that taxable profit will be available against which the deductible temporary differences can be utilised.

42. Disposal of Subsidiaries

	2005 HK$'000
NET ASSETS DISPOSED OF	
Investment properties	63,168
Receivables, deposits and prepayments	248
Bank balances and cash	7,823
Payables, deposits received and accrued charges	(2,590)
Income tax payable	(57)
Deferred taxation	(13,945)
	54,647
Gain on disposal of subsidiaries	11,818
	66,465
Satisfied by cash	66,465

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

	2005 HK$'000
Cash consideration	66,465
Cash and cash equivalents disposed of	(7,823)
	58,642

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

43. Operating Lease Arrangements

The Group as lessee

At 31 December 2006, the Group had commitments for future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due as follow:

	2006 **HK$'000**	2005 HK$'000
Within one year	**4,961**	10,205
In the second to fifth year inclusive	**17,453**	32,457
Over five years	**15,628**	47,910
	38,042	90,572

Leases are negotiated for the range of 1 to 20 years (2005: 1 to 21 years) with fixed monthly rentals.

The Group as lessor

Certain of the Group's investment properties and properties under development held for sale were leased out under operating leases. Properties under development held for sale are temporarily leased.

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

	2006 **HK$'000**	2005 HK$'000
Within one year	**167,000**	89,465
In the second to fifth year inclusive	**372,162**	170,086
Over five years	**470,674**	33,134
	1,009,836	292,685

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

All of the properties leased out have committed tenants for the range of 1 to 20 years (2005: 1 to 6 years).

44. Capital Commitments

At the balance sheet date, the Group had capital commitments in respect of the followings:

	2006 HK$'000	2005 HK$'000
(a) Expenditure to be incurred on properties		
Authorised but not contracted for		
Hong Kong	**349,634**	286,313
The PRC	**—**	55,000
	349,634	341,313
Contracted for but not provided for in the consolidated financial statements		
Hong Kong	**21,041**	8,110
The PRC	**—**	162,000
	21,041	170,110
(b) Acquisition of equipments		
Contracted for but not provided for in the consolidated financial statements in the PRC	**998**	—

45. Pledge Of Assets

At 31 December 2006, the Group had the following mortgages and/or pledges over its assets to secure banking facilities and other loans granted to the Group.

(a) Fixed and floating charges on investment properties with an aggregate carrying value of HK$4,788,137,000 (2005: HK$4,013,559,000).

(b) Fixed and floating charges on properties under development held for sale with an aggregate carrying value of HK$1,389,907,000 (2005: HK$1,925,191,000).

(c) Fixed and floating charges on properties under development with an aggregate carrying value of HK$46,583,000 (2005: HK$10,360,000).

(d) Prepaid lease payments with an aggregate carrying value of HK$324,973,000 (2005: HK$332,441,000).

(e) Motor vehicles with aggregate carrying value of Nil (2005:HK$7,097,000).

(f) Bank deposits of HK$200,708,000 (2005: HK$183,395,000).

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

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

46. Share-Based Payments

The Company operates an employee share option scheme (the "Scheme") for the primary purpose of providing incentive to directors and eligible employee. The original scheme was approved and adopted on 30 June 1990. A new scheme was approved and adopted on 23 June 2000, which will be effective until 29 June 2010. At 31 December 2006, the number of shares in respect of which options had been granted and remained outstanding under the new scheme was 3,000,000, representing approximately 0.5% of the shares of the Company in issue at that date. The share options under the original scheme was expired during the year.

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

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

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

			Number of share options		
Date of grant	**Exercisable period**	**Exercise price** HK$	**Outstanding at 1.1.2006**	**Exercised during the year**	**Outstanding at 31.12.2006**
Directors					
4.12.2000	4.12.2000 — 3.12.2010	1.44	15,500,000	(12,500,000)	3,000,000
Resigned director					
4.12.2000	4.12.2000 — 3.12.2010	1.44	5,250,000	(5,250,000)	—
			20,750,000	(17,750,000)	3,000,000

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

46. Share-Based Payments *(continued)*

In respect of the share options exercised during the year, the weighted average share price (2005: share price) at the dates of exercise and the date immediately before exercise date are HK$4.03 and HK$4.15 (2005: HK$3.025) per share respectively.

No options were granted or cancelled during the year.

47. Retirement Benefits Plans

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

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

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

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit scheme operated by the government of the PRC. The total cost charged to consolidated income statement of HK$396,000 (2005:HK$350,000) represents contribution payable to the scheme by the Group in respect of the current year. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

Forfeited contributions for the year amounting to HK$569,000 (2005: HK$310,000) has been used to reduce the level of contributions. The total cost charged to consolidated income statement of HK$$2,453,000 (2005: HK$2,899,000) represents contribution payable to these schemes by the Group in respect of the current year.

48. Post Balance Sheet Events

(a) Subsequent to the balance sheet date, an indirect wholly-owned subsidiary of the Company, AGP (Wanchai) Limited, completed the purchase of the adjoining land of an existing development project from the government of Hong Kong at a consideration of HK$43,140,000.

(b) Subsequent to the balance sheet date, TTP announced that it has entered into a conditional agreement to sell its interest in four leasehold properties held for sales development sites bounded by Packenham, Halsey and Madden Streets, Wynyard Point, Auckland Viaduct, New Zealand to Auckland City Council for NZ$26,420,000 (equivalent to HK$140,238,000), all of which will be paid in cash. The agreement is conditional upon headlessor consent and is due to settle on 30 March 2007. The sale, after accounting for sale costs, is expected to result in a gain of approximately NZ$6,000,000 (equivalent to HK$31,848,120) over the carrying value of the properties as at 31 December 2006.

(c) In late March 2007, the Group made another unconditional offer to acquire all of the remaining shares, being approximately 19.5% of the shares in TTP, for NZ 60 cents per share. Subsequently, separate lock-up agreements were entered into between the Group and two independent substantial shareholders whereby the latter are bound to accept the Group's offer. As a result, the Group has been able to control over 90% of TTP shares in issue and can compulsorily acquire any outstanding TTP shares not being accepted in the offer at the same price of NZ 60 cents per share. The total consideration for this exercise will be NZ$18.0 million (about HK$103.9 million).

On 16 April 2007, the Group issued the relevant compulsory acquisition notice. As at the date of this report, the Group's shareholding interest in TTP is 94.3%. It is expected that trading in TTP shares will cease at the close of business on 23 April 2007 and TTP will be delisted from the New Zealand Exchange at the close of business of 27 April 2007. Further, the Group's offer will close on 4th May, 2007 and the compulsory acquisition period will expire on 7th May, 2007.

49. Related Party Transactions

Compensation of key management personnel

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

	2006	2005
	HK$'000	HK$'000
Short-term benefits	**53,649**	66,443
Post-employment benefits	**1,223**	1,080
Other long-term benefits	**—**	—
Share-based payments	**—**	—
	54,872	67,523

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

50. Principal Subsidiaries

Details of the principal subsidiaries, all of which are companies with limited liability, at 31 December 2006 are set out below:

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective percentage of issued equity share capital/registered capital held by the Company	Principal activities
Direct subsidiary				
Chisel Limited	The British Virgin Islands/ Republic of Indonesia	2 ordinary shares of US$1 each	100	Investment holding
SEABO Pacific Limited	Bermuda/ PRC	767,919 ordinary shares of HK$1 each	100	Investment holding
South-East Asia Investment And Agency Company, Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	100	Investment holding
Indirect subsidiary				
AGP (Diamond Hill) Limited (formerly known as TTP (Diamond Hill) Limited)	Hong Kong	2 ordinary shares of HK$1 each	96	Property development
AGP (Sha Tin) Limited (formerly known as TTP (Sha Tin) Limited)	Hong Kong	1 ordinary share of HK$1	96	Property development
AGP (Wanchai) Limited (formerly known as TTP (Wanchai) Limited)	Hong Kong	2 ordinary shares of HK$1 each	96	Property development
AGP Hong Kong Limited (formerly known as TTP Hong Kong Limited)	Hong Kong	2 ordinary shares of HK$1 each	96	Property investment
Asian Growth Properties Limited	The British Virgin Islands/ Hong Kong	886,347,812 ordinary shares of US$0.05 each	96	Investment holding
Concord Way Limited	Hong Kong	100 ordinary shares of HK$1 each	96	Property development
Handy View Company Limited	Hong Kong	2 ordinary shares of HK$1 each	96	Property investment

50. Principal Subsidiaries *(continued)*

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective percentage of issued equity share capital/registered capital held by the Company	Principal activities
Indirect subsidiary (continued)				
Harvest Hill Limited	Hong Kong	2 ordinary shares of HK$1 each	96	Financing
SEA Group Treasury Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	96	Treasury services
Shinning Worldwide Limited	The British Virgin Islands/ Hong Kong	1,000 ordinary shares of US$1 each	53	Property development
Sky Trend Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	96	Property development
Sunfold Development Limited	Hong Kong	1 ordinary share of HK$1	96	Property development
Trans Tasman Properties Limited	New Zealand	154,194,592 shares of no par value	81	Investment holding
UniMilo's Knitwear Company Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	60	Garment manufacturing
Wing Siu Company Limited	Hong Kong	2 ordinary shares of HK$1 each	96	Property investment
成都華商房屋開發有限公司 (Chengdu Huashang House Development Co., Ltd.)* ("Huashang")	PRC	RMB136,000,000 registered capital	96	Property investment
廣州市盈發房產開發有限公司 (Guangzhou Yingfat House Property Development Co., Ltd.)** ("Yingfat")	PRC	US$20,110,000 registered capital	96	Property development

* Huashang was originally incorporated in the form of Sino-foreign co-operative joint venture. However, it has been changed to a wholly foreign owned enterprise during the year.

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

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

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

爪哇控股有限公司
S E A HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
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