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

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

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.

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

65 York Street

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).

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