



S E A HOLDINGS LIMITED

爪哇控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 251)

## PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2006

The board of directors (the “Board”) of S E A Holdings Limited (the “Company”) announces that the consolidated results of the Company and its subsidiaries (together the “Group”) for the financial year ended 31st December, 2006 together with the comparative figures of 2005 are as follows:

### 1. CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Notes	2006 HK\$'000	2005 HK\$'000
Revenue	(iii)	1,060,215	940,163
Other income		79,370	59,734
Operating costs:			
Property and related costs	(iv)	(488,350)	(475,247)
Staff costs		(100,562)	(116,099)
Depreciation		(4,098)	(5,081)
Other operating expenses		(178,323)	(147,770)
		(771,333)	(744,197)
Loss on disposal of investment properties		—	(2,424)
Net gain (loss) on investments		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		81,975	36,787

Other loss		(2,223)	—
Share of results of associates		2,436	(3,359)
Share of results of jointly controlled entities		—	(290)
Finance costs		(101,163)	(75,869)
		<u>          </u>	<u>          </u>
Profit before taxation	(v)	1,134,015	1,436,388
Income tax expense	(vi)	(207,798)	(287,264)
		<u>          </u>	<u>          </u>
Profit for the year		<u>926,217</u>	<u>1,149,124</u>
Attributable to:			
Company's shareholders		791,262	1,072,273
Minority interests		134,955	76,851
		<u>          </u>	<u>          </u>
		<u>926,217</u>	<u>1,149,124</u>
Dividends	(vii)	72,181	54,556
		<u>          </u>	<u>          </u>
Earnings per share	(viii)		
Basic		HK\$1.4	HK\$2.0
		<u>          </u>	<u>          </u>
Diluted		HK\$1.3	HK\$1.8
		<u>          </u>	<u>          </u>

**2. CONSOLIDATED BALANCE SHEET**  
AS AT 31ST DECEMBER, 2006

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current Assets</b>		
Investment properties	4,820,302	4,018,159
Property, plant and equipment	68,591	31,740
Prepaid lease payments	367,362	327,365
Interests in associates	17,766	15,330
Interests in jointly controlled entities	—	—
Club memberships	8,574	8,574
Available-for-sale investments	51,312	81,591
Amounts due from associates	—	34,172
Amounts due from jointly controlled entities	—	2,790
Other loans receivable	153,717	60,963
	<u>          </u>	<u>          </u>
	<u>5,487,624</u>	<u>4,580,684</u>

<b>Current Assets</b>		
Inventories	1,014	2,259
Properties held for sale	758,327	757,575
Properties under development held for sale	2,312,471	2,161,675
Prepaid lease payments	8,696	5,076
Held for trading investments	453	784
Other loans receivable	35,670	19,390
Receivables, deposits and prepayments	166,589	189,720
Income tax recoverable	14,923	1,544
Amounts due from jointly controlled entities	8,700	3,310
Pledged bank deposits	200,708	183,395
Restricted bank balances and deposits	332,404	—
Bank balances and deposits	570,445	795,707
	<u>4,410,400</u>	<u>4,120,435</u>
	2006	2005
	HK\$'000	HK\$'000
<b>Current Liabilities</b>		
Payables, deposits received and accrued charges	439,203	313,797
Sales deposits on properties held for sale received	449,094	133,659
Provisions	15,148	18,861
Income tax payable	42,954	63,610
Borrowings — due within one year	1,538,744	917,655
Amounts due to minority shareholders	36,209	141,949
	<u>2,521,352</u>	<u>1,589,531</u>
<b>Net Current Assets</b>	<u>1,889,048</u>	<u>2,530,904</u>
	<u>7,376,672</u>	<u>7,111,588</u>
<b>Capital and Reserves</b>		
Share capital	58,310	54,844
Reserves	5,134,418	4,299,577
	<u>5,192,728</u>	<u>4,354,421</u>
Equity attributable to the Company's shareholders	5,192,728	4,354,421
Minority interests	533,487	760,679
	<u>5,726,215</u>	<u>5,115,100</u>

## Non-current Liabilities

Amounts due to minority shareholders	80,814	70,376
Borrowings — due after one year	1,019,675	1,512,316
Other payables — due after one year	—	16,582
Deferred taxation	549,968	397,214
	<u>1,650,457</u>	<u>1,996,488</u>
	<u>7,376,672</u>	<u>7,111,588</u>

Notes to the accounts:

### (i) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (“HKEx”) 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.

### (ii) 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 HKICPA that are either effective for accounting periods beginning on or after 1st December, 2005 or 1st 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 <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>3</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>4</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>5</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>6</sup>
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions <sup>7</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>8</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2009

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

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

<sup>5</sup> Effective for annual periods beginning on or after 1st June, 2006

<sup>6</sup> Effective for annual periods beginning on or after 1st November, 2006

<sup>7</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>8</sup> Effective for annual periods beginning on or after 1st January, 2008

### (iii) REVENUE

#### Geographical segments

##### Year ended 31st December, 2006

	New Zealand	Australia	Mainland China ("PRC")	Hong Kong	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>							
External sales	163,603	72,436	14,770	809,406	—	—	1,060,215
Inter-segment sales*	—	—	—	70,456	—	(70,456)	—
<b>Total revenue</b>	<u>163,603</u>	<u>72,436</u>	<u>14,770</u>	<u>879,862</u>	<u>—</u>	<u>(70,456)</u>	<u>1,060,215</u>
<b>RESULTS</b>							
Segment (loss) profit	<u>(34,950)</u>	<u>24,015</u>	<u>109,437</u>	<u>1,041,183</u>	<u>(1,429)</u>	<u>—</u>	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							<u>(101,163)</u>
Profit before taxation							1,134,015
Income tax expense							<u>(207,798)</u>
<b>PROFIT FOR THE YEAR</b>							<u>926,217</u>

Year ended 31st December, 2005

	New Zealand HK\$'000	Australia HK\$'000	PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>							
External sales	207,216	187,758	3,265	541,924	—	—	940,163
Inter-segment sales*	—	—	—	43,096	—	(43,096)	—
<b>Total revenue</b>	<b>207,216</b>	<b>187,758</b>	<b>3,265</b>	<b>585,020</b>	<b>—</b>	<b>(43,096)</b>	<b>940,163</b>
<b>RESULTS</b>							
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)
<b>PROFIT FOR THE YEAR</b>							<b>1,149,124</b>

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

### Business segments

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

	2006 HK\$'000	2005 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
	<b>1,060,215</b>	<b>940,163</b>

**(iv) PROPERTY AND RELATED COSTS**

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

**(v) PROFIT BEFORE TAXATION**

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit before taxation has been arrived at after crediting:		
Dividends income from equity investments	<b>567</b>	1,771
Interest income	<b>57,379</b>	44,884

**(vi) INCOME TAX EXPENSE**

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

**(vii) DIVIDENDS**

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Final — HK7 cents per share (2005: HK6 cents)	<b>41,417</b>	33,094
Interim — HK5 cents per share (2005: HK4 cents)	<b>30,764</b>	21,462
	<u><b>72,181</b></u>	<u>54,556</u>

**(viii) 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:

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	<u><b>791,262</b></u>	<u>1,072,273</u>

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

**3. TRANSFER FROM RESERVES TO CONSOLIDATED INCOME STATEMENT**

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Investments revaluation reserve released upon disposal of available-for-sale investments	<u><b>(9,130)</b></u>	<u>866</u>



#### **4. FINAL 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 mentioned in Section 6 below.

#### **5. ANNUAL GENERAL MEETING**

The annual general meeting of shareholders will be held in Hong Kong on Wednesday, 23rd May, 2007 and the relevant notice of the annual general meeting will be published in the newspapers circulating in Hong Kong and the respective websites of the Company ([www.seaholdings.com](http://www.seaholdings.com)) and the HKEx on or before 30th April, 2007.

#### **6. SHARE REGISTRATION**

The Register of Members of the Company will be closed from Thursday, 17th May, 2007 to Wednesday, 23rd May, 2007, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Wednesday, 16th May, 2007. Warrant holders who wish to be entitled to the proposed final dividend must exercise their rights to subscribe for shares in the Company not later than 4:00 p.m. on Wednesday, 16th May, 2007.

#### **7. MANAGEMENT DISCUSSION AND ANALYSIS**

##### **FINANCIAL SUMMARY**

Turnover for the year ended 31st December, 2006 amounted to HK\$1,060.2 million (2005: HK\$940.1 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.

## **BUSINESS REVIEW**

### **Property Investments and Developments**

The Company through its existing 96.4% owned subsidiary Asian Growth Properties Limited ("AGP"), whose shares have since 16th January 2006 been admitted to trading on the Alternative Investment Market operated by London Stock Exchange Plc., holds the following property development and investment projects in Hong Kong and China:

#### ***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, 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.

### *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.

## **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.

### *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 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 16th April, 2007, the Group issued the relevant compulsory acquisition notice. As at the date of this announcement, 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.

## 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 96.4% equity interest in AGP as at the date of this announcement.

## 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:

	<b>31st December, 2006</b> <i>HK\$' million</i>	31st December, 2005 <i>HK\$' million</i>
<b>Due</b>		
Within 1 year	<b>1,538.7</b>	917.7
1-2 years	<b>148.5</b>	608.6
3-5 years	<b>789.9</b>	244.0
Over 5 years	<b>81.3</b>	659.7
	<hr/> <b>2,558.4</b> <hr/>	<hr/> 2,430.0 <hr/>

### 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. 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 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.

## **8. DEALINGS IN THE COMPANY'S LISTED SECURITIES**

During the year ended 31st December, 2006, the Company did not redeem any of its listed shares or warrants nor did the Company and its subsidiaries purchase or sell any of the Company's listed shares or warrants.

## **9. AUDIT COMMITTEE**

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

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.

## **10. CORPORATE GOVERNANCE**

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 as contained in Appendix 14 to the Listing Rules 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.

As mentioned under the section headed "Corporate Governance Practices" in the Corporate Governance Report of the 2005 Annual Report and in the section headed "Corporate Governance and Other Information" of the 2006 Interim Report, the Board believes that the underlying rationale for the deviation from code provision A.2.1 still holds.

The Company does not propose to comply with the said code provision 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 circumstance of such deviation.

## 11. PUBLICATION OF FURTHER INFORMATION

This announcement will be published on the respective websites of the Company ([www.seaholdings.com](http://www.seaholdings.com)) and the HKEx on 19th April, 2007. The independent auditor's report to be issued by DTT will be included in the Company's 2006 Annual Report for despatch to shareholders and warrant-holders and publication on the respective websites of the Company and the HKEx in due course.

## 12. 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.

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

*Executive directors:—*

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

*Non-executive director:—*

Mr. Lam Sing Tai

*Independent Non-executive directors:—*

Messrs. Walujo Santoso, Wally, Leung Hok Lim and Chung Pui Lam

By Order of the Board  
**Lu Wing Chi**  
*Chairman and Managing Director*

Hong Kong, 18th April, 2007

*\* For identification purpose only*

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