



# S E A HOLDINGS LIMITED

## 爪哇控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 251)

### ANNOUNCEMENT OF 2004 INTERIM RESULTS

The board of directors of S E A Holdings Limited (“the Company”) announces that the Group’s unaudited consolidated profit attributable to shareholders for the half year ended 30th June 2004 is HK\$66.5 million (2003: HK\$59.5 million). The unaudited Consolidated Income Statement together with the comparative figures for the corresponding period in 2003 are as follows:

#### 1. CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Half year ended 30th June</b>	
		<b>2004</b>	<b>2003</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	<i>(iii)</i>	<b>184,901</b>	268,047
Other operating income		<b>47,568</b>	16,909
Changes in inventories and properties held for sale	<i>(iv)</i>	<b>(28,227)</b>	(43,814)
Staff costs		<b>(29,553)</b>	(35,290)
Depreciation and amortisation		<b>(1,732)</b>	(1,820)
Other operating expenses		<b>(42,428)</b>	(40,044)
Release of negative goodwill		<b>10,416</b>	6,133
		<b>140,945</b>	170,121
Net profit (loss) on disposal of investments and properties		<b>24,517</b>	(108)
Profit from operations	<i>(v)</i>	<b>165,462</b>	170,013
Finance costs		<b>(68,695)</b>	(84,075)
Share of net profit of associates		<b>1,476</b>	442
Share of net losses of jointly controlled entities		<b>(2,301)</b>	–
Profit before taxation		<b>95,942</b>	86,380
Taxation	<i>(vi)</i>	<b>(602)</b>	(4,163)
Profit before minority interests		<b>95,340</b>	82,217
Minority interests		<b>(28,869)</b>	(22,725)
Net profit for the period		<b>66,471</b>	59,492
Dividend		<b>20,453</b>	20,450
Earnings per share			
Basic	<i>(vii)</i>	<b>HK13.0 cents</b>	HK11.6 cents
Diluted		<b>HK12.0 cents</b>	N/A

#### Notes to the accounts

##### (i) Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

(ii) **Principal accounting policies**

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

In the opinion of the directors, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2003.

(iii) **Turnover**

(a) *Geographical segments*

	Half year ended 30th June 2004						Consolidated HK\$'000
	New Zealand HK\$'000	Australia HK\$'000	PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Eliminations HK\$'000	
Turnover	<u>103,272</u>	<u>11,903</u>	<u>2,432</u>	<u>67,294</u>	<u>-</u>	<u>-</u>	<u>184,901</u>
Segment Profit (Loss)	<u>93,991</u>	<u>(8,574)</u>	<u>(3,361)</u>	<u>58,092</u>	<u>(436)</u>	<u>-</u>	<u>139,712</u>
Interest income							<u>45,100</u>
Unallocated corporate expenses							<u>(19,350)</u>
<b>PROFIT FROM OPERATIONS</b>							<u><b>165,462</b></u>
	Half year ended 30th June 2003						Consolidated HK\$'000
	New Zealand HK\$'000	Australia HK\$'000	PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Eliminations HK\$'000	
Turnover	65,529	77,874	9,590	115,054	-	-	268,047
Inter-segment sales <sup>#</sup>	-	-	-	335	-	(335)	-
Total	<u>65,529</u>	<u>77,874</u>	<u>9,590</u>	<u>115,389</u>	<u>-</u>	<u>(335)</u>	<u>268,047</u>
Segment Profit (Loss)	<u>44,207</u>	<u>64,954</u>	<u>(3,855)</u>	<u>66,227</u>	<u>(346)</u>	<u>-</u>	<u>171,187</u>
Interest income							<u>14,231</u>
Unallocated corporate expenses							<u>(15,405)</u>
<b>PROFIT FROM OPERATIONS</b>							<u><b>170,013</b></u>

<sup>#</sup> *Inter-segment sales are charged at prevailing market rates.*

(b) *Business segments*

	Half year ended 30th June 2004						Consolidated HK\$'000
	Property investment HK\$'000	Garment manufacturing and trading HK\$'000	Investment HK\$'000	Property development HK\$'000	Others HK\$'000	Eliminations HK\$'000	
Turnover	114,728	34,545	1,607	33,291	730	-	184,901
Inter-segment sales <sup>#</sup>	<u>986</u>	<u>137</u>	<u>48</u>	<u>-</u>	<u>-</u>	<u>(1,171)</u>	<u>-</u>
Total	<u>115,714</u>	<u>34,682</u>	<u>1,655</u>	<u>33,291</u>	<u>730</u>	<u>(1,171)</u>	<u>184,901</u>
Segment Profit (Loss)	<u>103,303</u>	<u>23,737</u>	<u>6,599</u>	<u>7,467</u>	<u>(1,394)</u>	<u>-</u>	<u>139,712</u>
Interest income							<u>45,100</u>
Unallocated corporate expenses							<u>(19,350)</u>
<b>PROFIT FROM OPERATIONS</b>							<u><b>165,462</b></u>

Half year ended 30th June 2003

	Property investment HK\$'000	Garment manufacturing and trading HK\$'000	Investment HK\$'000	Property development HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover	186,454	71,805	1,565	7,555	668	-	268,047
Inter-segment sales <sup>#</sup>	2,116	-	48	-	7,947	(10,111)	-
<b>Total</b>	<b>188,570</b>	<b>71,805</b>	<b>1,613</b>	<b>7,555</b>	<b>8,615</b>	<b>(10,111)</b>	<b>268,047</b>
Segment Profit (Loss)	167,230	12,854	5,476	(5,721)	(8,652)	-	171,187
Interest income							14,231
Unallocated corporate expenses							(15,405)
<b>PROFIT FROM OPERATIONS</b>							<b>170,013</b>

<sup>#</sup> *Inter-segment sales are charged at prevailing market rates.*

**(iv) Changes in inventories and properties held for sale**

	Half year ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Changes in inventories of manufactured finished goods and work-in-progress	1,334	2,354
Raw materials and consumables used	(9,015)	(18,759)
Purchase of goods held for resale	-	(20,571)
Changes in inventories of properties for sale	219,705	18,144
Costs incurred on properties under development for sale	(240,251)	(24,982)
	<b>(28,227)</b>	<b>(43,814)</b>

**(v) Profit from operations**

	Half year ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Dividends income from listed investments	(1,124)	(1,086)
Interest income	(45,100)	(14,231)
(Gain) Loss on sale of investment properties	(23,960)	301
Gain on disposal of property, plant and equipment	(24)	-
Gain on sale of investments	(533)	-
	<b>(73,741)</b>	<b>(15,216)</b>

**(vi) Taxation**

	Half year ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	(100)	1,939
Income tax outside Hong Kong	550	598
	<b>450</b>	<b>2,537</b>
Deferred taxation	152	1,626
	<b>602</b>	<b>4,163</b>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

**(vii) Earnings per share**

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>Half year ended 30th June</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings for the purposes of basic and diluted earnings per share	<u><b>66,471</b></u>	<u><b>59,492</b></u>
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>511,269,336</b>	511,246,868
Effect of dilutive potential ordinary shares		
Options	<b>7,574,468</b>	N/A
Warrants	<u><b>36,410,792</b></u>	<u>N/A</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><b>555,254,596</b></u>	<u><b>511,246,868</b></u>

No diluted earnings per share for 2003 has been presented because the exercise prices of the Company's share options and warrants were higher than the average market price of the Company's shares during the half year ended 30th June 2003.

The computation of diluted earnings per share in 2003 did not assume the conversion of the preference convertible promissory notes of a subsidiary of the Company since their exercise would result in an increase in the net profit per share.

**(viii) Movements in investment properties and property, plant and equipment**

During the period, the Group acquired investment properties at a cost of HK\$43,813,000 and disposed of investment properties with carrying value of HK\$346,714,000 for total consideration of HK\$360,529,000. In addition, there was an exchange realignment of HK\$63,590,000 contributed to a decrease in the carrying value of investment properties brought forward from 1st January 2004.

In the opinion of the directors, there is no material difference between the carrying amount and the market value of investment properties at 30th June 2004.

During the period, the Group acquired property, plant and equipment at a cost of HK\$19,235,000 and there was an exchange realignment of HK\$3,601,000 contributed to a decrease in carrying value of property, plant and equipment brought forward from 1st January 2004.

**(ix) Review by auditors**

The interim financial report of the Company for the half year ended 30th June 2004 has been reviewed by our auditors, Messrs. Deloitte Touche Tohmatsu, in accordance with the Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants and an unmodified review conclusion has been issued.

**2. INTERIM DIVIDEND**

The Board has declared an interim dividend of HK4 cents (2003: HK4 cents) per share for the year ending 31st December 2004 payable on 4th October 2004 to the shareholders of the Company whose names appear in the Register of Members on 30th September 2004. Total dividends payable are HK\$20,453,000 and will be increased by HK\$5,958,000 as a result of ordinary shares being issued upon the exercise of all the outstanding warrants and share options' subscription rights.

**3. SHARE REGISTRATION**

The Register of Members of the Company will be closed from Monday, 27th September 2004 to Thursday, 30th September 2004, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend, all transfers accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited, G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Friday, 24th September 2004. Warrant holders who wish to participate in the interim dividend must exercise their subscription rights not later than 4:00 p.m. on Friday, 24th September 2004.

**4. MANAGEMENT DISCUSSION AND ANALYSIS**

**BUSINESS REVIEW**

**Property Investments and Developments**

*Hong Kong*

Over 70% of the tenancies were renewed in 2003, resulting in a lowering of annual rental income by more than 30% due to SARS impact. Average occupancy rate was maintained at satisfactory level throughout the period. With the accelerating economy, the Group expects to have a better rental return for new tenancies negotiated after the financial period.

The negotiation on land premium for the Sheung Shui project, in which the Group owns 55%, for a change of plot ratio from 3.3 to 5 times, has been concluded and settled. The Group planned to build one additional residential tower of 39 storeys. Finance for the development has been arranged. Depending on market conditions, earliest time plan for sales of the Phase I and II development may be by end of 2004.

The Group has completed the acquisition of a piece of land with site area of 446 sq m at 6-12 Leighton Road. This site will complement the adjoining site the Group presently owned. Development potentials including hotels development for the enlarged site is now being re-considered and evaluated in order to give maximum benefit to the Group.

The Group through its 61.31% owned subsidiary, Trans Tasman Properties Limited (“TTP”) has acquired a Sha Tin Lot of 2 hectares and completed in July 2004. Internal cash is utilized to support the acquisition. The site overlooks the Sha Tin race course and is connected to the major Fo Tan KCR railway station. TTP intends to develop it into a residential and commercial composite. A development time frame of 4-6 years is expected. TTP also acquired a shop in Causeway Bay for investment in March 2004. Finance for the purchase has been arranged with a local bank. Satisfactory rental yield is generated.

#### *China*

In Guangzhou, Westmin Plaza, Phase II development comprises of 4 towers of residential blocks and one office block on top of the commercial podium was progressed on schedule. Main contract was awarded after the financial period. The whole development will take 18 months to complete.

The Group has reactivated the development of Overseas Exchange Square in Chengdu in December 2003. The project is about 90,000 sq m in size, comprising of two office towers on top of the commercial podium. The whole development will be completed by second quarter of 2005.

The Group has actively marketed for lease for New Century Plaza in Chengdu.

#### *New Zealand and Australia*

TTP announced its combined results attributable to its shareholders for the financial period under review a surplus of NZ\$12.2 million, compared to NZ\$7.2 million for the previous corresponding period. Net assets value per share as at 30th June 2004 was NZ64.2 cents compared to NZ63.5 cents as at 31st December 2003.

TTP followed its stated business strategies announced in 2003, and sold the following properties in Auckland, New Zealand:

- Fletcher Complex – completed before 30th June 2004;
- Citibank Centre – completed in August 2004;
- Auckland Club Tower – will be completed in September 2004;
- 1-7 The Strand, Takapuna – will be completed in September 2004;
- Finance Centre – a conditional sale subject to due diligence period up to 14th September 2004 to be satisfied by the Purchaser.

The remaining investment property held in Sydney, is currently being strata titled and progressively sold.

To replenish its investment portfolio, TTP has bought the following properties:

- As mentioned above, a shop in Causeway Bay, Hong Kong in March 2004;
- As mentioned above, a 2 hectare development site in Sha Tin Town in July 2004;
- 132 Halsey Street, Viaduct Harbour, Auckland in August 2004;
- 8-14 Madden Street, Viaduct Harbour, Auckland in September 2004.

Subsequent to the financial period end, TTP has acquired a 34% interest in the Clearwater Resort residential and commercial development in Christchurch.

On the development front, TTP has completed the development of Airpark 1 and successfully sold all sites with 3 lots being retained within its investment portfolio. Stage 1 of Airpark 2 was offered to the market during 2004, with all 12 lots unconditionally sold at prices in line with feasibility. In addition, the development of TTP’s land at Auckland Viaduct Western Reclamation is underway. In August 2004, construction of a two building 19,745 sq m design-build commercial office complex for Air New Zealand’s new head office to be located at the western end of the site was commenced.

Global Property Fund, in which TTP has 64% interest, had finally resolved all litigation against the former Trustee and Manager of the fund. The winding up of the funds will now proceed. TTP expects a cash distribution of approximately A\$9.2 million in September 2004.

The Group's interest in Jacks Point land in Queenstown, New Zealand was reduced from 60.0% to 26.1% after the financial period. The Group realized a total gain of approximately NZ\$11.6 million from the disposition. A gain of approximately NZ\$6.8 million will be recognized in 2004 and the remaining portion will be deferred until Jacks Point Limited sells the developed residential sites. The land will be developed into a resort with a golf course, hotel and residential properties.

### **Garment Trading**

Similar level of income was generated from garment business, but the Group expects a substantial drop in income of approximately HK\$23.0 million due to abolition of quota system in 2005.

### **Supply Chain Management**

The performance of Professional Services Brokers Limited ("PSB"), in which the Group owns 43.4%, is satisfactory and contributed a positive return to the Group. PSB continued to operate one of the few remaining electronic portals and is expanding its business operations to Australasia by receiving outsourcing contracts from other marketplaces.

### **GENERAL OFFER FOR THE SHARES IN TTP NOT OWNED BY SEA**

An offer by SEA for the remaining 40.0% interest in TTP it did not own was made. The offer price was NZ\$0.40 as compared to net assets value per share of NZ\$0.63 as at 31st December 2003. The Group has increased its interest in TTP from 59.97% to 61.31% as a result of this offer, at a cost of NZ\$3.2 million. As the acquisition cost was below the net assets value per TTP share, it contributes positive surplus to shareholders over the years.

### **FINANCIAL REVIEW**

Key 2004 financial data, policies and capital events relating to the Group and its major subsidiaries were as follows:

#### **Financial Resources and Liquidity**

At 30th June 2004, the Group had HK\$1,720.0 million (HK\$1,881.0 million at 31st December 2003) cash and unutilized facilities of HK\$1,042.0 million (HK\$964.0 million at 31st December 2003) to meet its commitments and working capital. The current (working capital) ratio reduced from 4.46 at 31st December 2003 to 4.07 at 30th June 2004 was mainly due to the increase of borrowings due within one year.

At 30th June 2004, shareholders' funds of the Group amounted to HK\$2,639.5 million (HK\$2,678.1 million at 31st December 2003) representing a decrease of 1.4% that was mainly attributable to exchange translation loss for the net assets of subsidiaries in New Zealand and Australia that was partially offset by the net profit for the period from the Group.

Bank borrowings of TTP group and other subsidiaries in Australia, denominated in NZ\$ and A\$, has drawn down bank loans equivalent to NZ\$258.0 million (HK\$1,266.9 million) and A\$12.1 million (HK\$65.2 million) secured mainly by properties valued at NZ\$395.5 million (HK\$1,264.6 million) and A\$25.4 million (HK\$136.9 million) respectively and pledged bank deposits of NZ\$123.0 million (HK\$603.8 million).

In Hong Kong and China, properties valued at HK\$2,695.5 million and fixed deposits of HK\$37.3 million were pledged for banking facilities amounting to HK\$1,588.8 million that was extended to certain subsidiaries as at 30th June 2004.

#### **Refinancing and Gearing**

The renewal of major credit facilities on a medium and long-term basis has provided the Group with capacity and flexibility to undertake development and investment opportunities consistent with its strategy to remain as a long-term investor in property.

The Group's overall gearing, or net interest bearing debt minus cash, as a percentage of total property assets have increased from 21% as at 31st December 2003 to 28% as at 30th June 2004. The increase was mainly due to additional loans were drawn down to support the initial deposits for new properties acquisitions.

#### **Treasury policies**

The Group adheres to prudent treasury policies. The ratio of non-current liabilities to shareholders' fund plus minority interests was 0.75 at 30th June 2004 (0.77 at 31st December 2003).

The Group's borrowings are principally on a floating rate basis. However, when requested by lenders under banking arrangements or at times when interest rates are volatile, hedging instruments including swaps and forwards are used to manage interest rate exposure.

#### **Capital movements**

During the period, the Company has not issued any additional shares or any type of capital instruments.



## Loan maturity profile

As at 30th June 2004, maturities of the Group's outstanding borrowings were as follow:

	<i>HK\$m</i>
Within 1 year	477
1-2 years	1,174
2-5 years	641
Over 5 years	738
Total	<u>3,030</u>

## Commitments

At the reporting date, the Group had capital commitments not provided for in the condensed financial statements in respect of expenditure to be incurred on properties as follows:

	<b>30th June 2004 <i>HK\$'000</i></b>	31st December 2003 <i>HK\$'000</i>
Authorised but not contracted for		
Hong Kong	<b>73,380</b>	73,380
PRC	<b>361,000</b>	438,000
New Zealand and Australia	<b>84,524</b>	–
	<u><b>518,904</b></u>	<u>511,380</u>
Contracted for but not provided for in the financial statements		
Hong Kong	<b>247,449</b>	281,558
PRC	<b>68,400</b>	3,000
New Zealand and Australia	<b>14,697</b>	2,083
	<u><b>330,546</b></u>	<u>286,641</u>

## Contingent liabilities

At the reporting date, the Group acted as guarantor for the repayment of the bank loans granted to purchasers of the Group's properties under development for sale amounting to Nil (31st December 2003: HK\$1,128,000). The guarantee at 31st December 2003 had been released upon completion of the construction of the properties and the relevant property ownership certificate being issued by the relevant authority.

In addition, the Group has given guarantees to purchasers of the disposed investment properties that, for a maximum period of 36 months from the date of disposal of the properties, certain areas of the properties will receive an agreed minimum monthly rent until leased. Based on management's best estimation, a provision of HK\$32,383,000 (31st December 2003: HK\$44,139,000) had been made at 30th June 2004.

## Pledge of assets

At the reporting date, the Group had the following mortgages and/or pledge over its assets to secure banking facilities and other bank loans granted to the Group:

- Fixed and floating charges on investment properties with an aggregate book value of HK\$3,282,483,000 (31st December 2003: HK\$3,644,483,000).
- Properties for sale with an aggregate book value of HK\$729,860,000 (31st December 2003: HK\$529,213,000).
- Properties under development held for investment with an aggregate book value of HK\$106,015,000 (31st December 2003: HK\$106,015,000).
- Bank deposits of HK\$683,445,000 (31st December 2003: HK\$69,655,000).
- Listed shares of a subsidiary with assets principally comprised of investment properties including in (a) above.
- Unlisted shares of certain subsidiaries with assets principally comprised of investment properties and properties under development held for investment including in (a) and (c) above.

## OUTLOOK

Market sentiment continued to improve especially in Hong Kong and China. This will definitely benefit the leasing and development activities of the Group.

The Group will continue to invest in Asian/Pacific property markets where counter-cyclical property investment or development opportunities exist. With the disposal of assets in the 1st half of the year, the Group has accumulated considerable cash resources to take up additional investments. The Group will actively pursue its investment opportunities.

## **MANAGEMENT AND STAFF**

The Group had 170 employees at 30th June 2004 compared with 170 for the corresponding period. Salary and benefits are reviewed at least annually both in response to market conditions and trends and in conjunction with individual performance appraisals. Fringe benefits including study and training allowances, and voluntary employer contributions to retirement schemes are offered to most employees. The Company operates an employee share option scheme with options granted to the Group employees on a discretionary basis by the Board.

The board wishes to thank to the management and staff for their commitment, contribution and dedication and to the customers and tenants for their continuous support to the Group.

## **5. PUBLICATION OF FURTHER INFORMATION**

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange") will be published on the Company's website: [www.seaholdings.com.hk](http://www.seaholdings.com.hk) and the Exchange's website in due course.

As at the date of this announcement, the Directors are as follows:

### *Executive directors:*

Lu Wing Chi, Lu Wing Yuk, Andrew, Lu Wing Lin, Lincoln Lu and Lambert Lu

### *Non-executive director:*

Lu Yong Lee

### *Independent non-executive directors:*

Waluyo Santoso, Wally and Leung Hok Lim

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

Hong Kong, 2nd September, 2004

\* *For identification purpose only*

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