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## S E A HOLDINGS LIMITED

爪哇控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code : 251)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board of directors (the “Board”) of S E A Holdings Limited (the “Company”) announces that the unaudited consolidated financial results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2012 together with the comparative figures of 2011 are as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Revenue	3	299,213	305,439
Interest income		12,367	7,788
Other income		6,581	22,828
Costs:			
Property and related costs	4	(25,321)	(56,191)
Staff costs		(73,185)	(63,164)
Depreciation and amortisation		(41,873)	(39,276)
Other expenses		(85,861)	(59,066)
		<u>(226,240)</u>	<u>(217,697)</u>
Profit from operations before fair value changes on properties		91,921	118,358
Fair value changes on investment properties		<u>376,190</u>	<u>936,242</u>
Profit from operations after fair value changes on properties		468,111	1,054,600
Share of results of associates		703	623
Share of results of jointly controlled entities		(2,667)	21
Finance costs	5	<u>(46,926)</u>	<u>(51,203)</u>
Profit before taxation		419,221	1,004,041
Income tax expense	6	<u>(54,704)</u>	<u>(45,283)</u>
Profit for the period		<u>364,517</u>	<u>958,758</u>

\* For identification purpose only

**CONDENSED CONSOLIDATED INCOME STATEMENT** *(Continued)*  
**For the six months ended 30 June 2012**

		<b>Six months ended 30 June</b>	
		<b>2012</b>	2011
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Attributable to:			
Company's shareholders		<b>356,130</b>	931,919
Non-controlling interests		<b>8,387</b>	26,839
		<b><u>364,517</u></b>	<u>958,758</u>
		<b>HK cents</b>	HK cents
Earnings per share for profit attributable to the Company's shareholders			
	8		
Basic		<b><u>53.2</u></b>	<u>138.9</u>
Diluted		<b><u>53.1</u></b>	<u>138.5</u>
<i>Earnings per share excluding fair value changes on properties net of deferred tax</i>			
	8		
<i>Basic</i>		<b><u>3.4</u></b>	<u>6.6</u>
<i>Diluted</i>		<b><u>3.4</u></b>	<u>6.6</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the six months ended 30 June 2012**

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit for the period	<u><b>364,517</b></u>	<u>958,758</u>
Other comprehensive (expense) income		
Exchange differences arising on translation of foreign operations	<b>(14,004)</b>	60,610
Share of translation differences of jointly controlled entities	<b>(250)</b>	912
Share of translation differences of associates	<u><b>319</b></u>	<u>622</u>
	<u><b>(13,935)</b></u>	<u>62,144</u>
Total comprehensive income for the period	<u><b>350,582</b></u>	<u>1,020,902</u>
Total comprehensive income attributable to:		
Company's shareholders	<b>346,343</b>	996,617
Non-controlling interests	<u><b>4,239</b></u>	<u>24,285</u>
	<u><b>350,582</b></u>	<u>1,020,902</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 30 June 2012**

		At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties		8,662,672	8,298,288
Property, plant and equipment		1,110,524	1,140,060
Properties for development		1,282,936	1,288,272
Club memberships		8,574	8,574
Interests in associates		11,068	10,046
Interests in jointly controlled entities		-	44,574
Loans receivable		13,667	16,911
Note receivable		15,510	-
Other receivable		379,082	381,183
Derivative financial instrument		-	80
		<u>11,484,033</u>	<u>11,187,988</u>
<b>Current assets</b>			
Properties held for sale			
Completed properties		318,986	330,713
Properties under development		670,912	660,638
Other inventories		843	1,019
Loans receivable		807	978
Trade receivables, deposits and prepayments	9	140,777	137,206
Tax recoverable		-	2,477
Amounts due from non-controlling shareholders		4,199	1,384
Pledged bank deposits		785	785
Bank balances and cash		1,883,296	2,485,688
		<u>3,020,605</u>	<u>3,620,888</u>
Assets classified as held for sale		42,090	-
		<u>3,062,695</u>	<u>3,620,888</u>
<b>Current liabilities</b>			
Payables, deposits and accrued charges	10	242,944	311,406
Sales deposits		-	601
Provisions		-	5,107
Tax liabilities		115,244	103,074
Amounts due to non-controlling shareholders		206,288	195,966
Bank borrowings – due within one year		546,988	1,054,331
		<u>1,111,464</u>	<u>1,670,485</u>
<b>Net current assets</b>		<u>1,951,231</u>	<u>1,950,403</u>
<b>Total assets less current liabilities</b>		<u>13,435,264</u>	<u>13,138,391</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (*Continued*)  
**At 30 June 2012**

	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
<b>Capital and reserves</b>		
Share capital	66,949	66,919
Reserves	<u>10,129,645</u>	<u>9,822,750</u>
Equity attributable to the Company's shareholders	10,196,594	9,889,669
Non-controlling interests	<u>306,275</u>	<u>302,036</u>
<b>Total equity</b>	<u>10,502,869</u>	<u>10,191,705</u>
<b>Non-current liabilities</b>		
Bank borrowings – due after one year	2,482,197	2,529,036
Deferred taxation	448,442	417,650
Derivative financial instrument	<u>1,756</u>	<u>-</u>
	<u>2,932,395</u>	<u>2,946,686</u>
	<u>13,435,264</u>	<u>13,138,391</u>

*Notes:*

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed 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 appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011 and those due to the application of the new or revised Hong Kong Financial Reporting Standards (“HKFRS”). In addition, the Group has applied the following accounting policy of embedded derivatives which is applicable to the debt instrument entered during the period.

## **2. PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

### *Embedded derivatives*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

### *Application of amendments to HKFRS*

In the current interim period, the Group has applied, for the first time, the amendments to HKFRS 7 “Disclosures - Transfers of Financial Assets” issued by the HKICPA.

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The application of the above amendments to HKFRS in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 12 “Income Taxes”, which is mandatorily effective for the current period, has been applied in advance in the financial statements for the year ended 31 December 2011.

## **3. SEGMENT INFORMATION**

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance is mainly focused on property development, property investment and hotel operation.

Property investment and development activities are in Hong Kong, the People’s Republic of China (the “PRC”), Australia and New Zealand whereas the hotel operation is in Hong Kong.

### 3. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by reportable segment:

#### Six months ended 30 June 2012

	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>SEGMENT REVENUE</b>					
External sales	24,188	156,176	118,849	-	299,213
Inter-segment sales	-	309	-	(309)	-
<b>Total</b>	<b>24,188</b>	<b>156,485</b>	<b>118,849</b>	<b>(309)</b>	<b>229,213</b>
<b>SEGMENT RESULTS</b>					
Segment (loss) profit	(6,940)	477,260	34,601		504,921
Interest income					12,367
Corporate expenses					(49,177)
Share of results of associates					703
Share of results of jointly controlled entities					(2,667)
Finance costs					(46,926)
<b>Profit before taxation</b>					<b>419,221</b>

#### Six months ended 30 June 2011

	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>SEGMENT REVENUE</b>					
External sales	54,900	143,800	106,739	-	305,439
Inter-segment sales	-	319	-	(319)	-
<b>Total</b>	<b>54,900</b>	<b>144,119</b>	<b>106,739</b>	<b>(319)</b>	<b>305,439</b>
<b>SEGMENT RESULTS</b>					
Segment profit	4,218	1,061,142	19,943		1,085,303
Interest income					7,788
Corporate expenses					(38,491)
Share of results of associates					623
Share of results of jointly controlled entities					21
Finance costs					(51,203)
<b>Profit before taxation</b>					<b>1,004,041</b>

### 3. SEGMENT INFORMATION *(Continued)*

Inter-segment sales are at mutually agreed terms.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies.

The Group does not allocate interest income, corporate expenses, share of results of associates and jointly controlled entities and finance costs to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision maker.

No segment assets and liabilities are presented as the information is not reportable to the chief operating decision maker in the resource allocation and assessment of performance.

### 4. PROPERTY AND RELATED COSTS

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Changes in properties held for sale	10,207	24,727
Reversal of provision on relocation compensation	(5,095)	-
Write-down of properties held for sale	-	8,989
Selling and marketing expenses	1,308	3,261
Direct operating expenses on investment properties	18,901	19,214
	<u>25,321</u>	<u>56,191</u>

### 5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within 5 years	25,493	32,115
Bank borrowings not wholly repayable within 5 years	19,070	16,590
	<u>44,563</u>	<u>48,705</u>
Less: Amounts capitalised to property development projects	<u>(539)</u>	<u>(1,392)</u>
	44,024	47,313
Front end fee	1,732	2,208
Other charges	1,170	1,682
	<u>46,926</u>	<u>51,203</u>



## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	17,967	19,781
PRC Enterprise Income Tax	3,782	906
Other jurisdictions	130	148
	<u>21,879</u>	<u>20,835</u>
Deferred tax	<u>32,825</u>	<u>24,448</u>
	<u>54,704</u>	<u>45,283</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for each of the periods.

Income tax arising in PRC and other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 7. DIVIDEND PAID

During the current period, a dividend of HK6 cents (final dividend of 2010: HK6 cents) per share amounting to HK\$40,169,000 (final dividend of 2010: HK\$40,256,000) was approved and paid to the shareholders as final dividend for the financial year ended 31 December 2011.

## 8. 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:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<u>356,130</u>	<u>931,919</u>
	Number of shares	
	2012	2011
Weighted average number of ordinary shares for the purpose of basic earnings per share	669,306,451	670,862,859
Effect of dilutive potential ordinary shares options	<u>1,080,009</u>	<u>2,056,180</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>670,386,460</u>	<u>672,919,039</u>

For the purpose of assessing the performance of the Group, the directors are of the view that the profit for the period should be adjusted for the fair value changes on properties recognised in profit or loss and the related deferred taxation in arriving at the "adjusted profit attributable to the Company's shareholders". A reconciliation of the adjusted earnings is as follows:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit attributable to the Company's shareholders as shown in the condensed consolidated income statement	356,130	931,919
Fair value changes on investment properties	(376,190)	(936,242)
Deferred tax thereon	32,981	21,347
Attributable to non-controlling interests	<u>10,166</u>	<u>27,389</u>
Adjusted profit attributable to the Company's shareholders	<u>23,087</u>	<u>44,413</u>

The denominators used in the calculation of adjusted earnings per share are the same as those detailed above.

## 9. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Trade receivables	5,782	9,368
Accrued income, deposits and prepayments	135,335	128,168
Less: Allowance for impairment loss	(340)	(330)
	<u>140,777</u>	<u>137,206</u>

Trade receivables mainly comprise rental receivable from tenants for the use of the Group's properties and receivable from corporate customers and travel agents for the use of the hotel facilities. No credit is allowed to tenants. Rentals are payable upon presentation of demand notes. Average credit period of 30 days is allowed to corporate customers and travel agents.

The following is an aged analysis of trade receivables, presented based on the invoice date, at the end of the reporting period.

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
0 to 30 days	5,248	8,294
31 to 60 days	520	782
61 to 90 days	1	153
91 to 365 days	13	129
Over 365 days	-	10
	<u>5,782</u>	<u>9,368</u>

## 10. PAYABLES, DEPOSITS AND ACCRUED CHARGES

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Trade payables	1,588	2,022
Rental deposits	85,627	83,930
Rental received in advance	7,884	10,208
Other payables, other deposits and accrued charges	147,845	215,246
	<u>242,944</u>	<u>311,406</u>

Included in other payables, other deposits and accrued charges are an aggregate amount of HK\$82,191,000 (31 December 2011: HK\$85,986,000) payable to contractors for the cost in relation to the excavation, relocation arrangements and infrastructure works on certain pieces of lands and deposit of HK\$20,000,000 (31 December 2011: nil) received from disposal of the interests in the jointly controlled entities.

Rental deposits to be settled after twelve months from the end of the reporting period based on the respective lease terms amount to HK\$66,499,000 (31 December 2011: HK\$60,701,000).

Trade payables are aged less than 60 days at the end of the reporting period based on the invoice date.

### INTERIM DIVIDEND

The Board has declared an interim dividend of HK5 cents (2011: HK5 cents) per share for the six months ended 30 June 2012 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 28 September 2012. The relevant dividend warrants are expected to be despatched on or before Monday, 8 October 2012.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 September 2012 to Friday, 28 September 2012, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all duly completed and stamped transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Branch Share Registrars in Hong Kong, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 25 September 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Summary

Turnover for the six months ended 30 June 2012 amounted to HK\$299.2 million (2011: HK\$305.4 million). The turnover was principally attributable to the recognition of rental income from investment properties, revenue from hotel operation and the sales of properties in Hong Kong, New Zealand and Australia.

Profit attributable to the Company's shareholders for the period amounted to HK\$356.1 million (2011: HK\$931.9 million), equivalent to a basic earnings per share of HK53.2 cents (2011: HK138.9 cents). The reported profit attributable to the Company's shareholders included a revaluation surplus on investment properties net of deferred taxation of HK\$333.0 million (2011: HK\$887.5 million). By excluding the effect of such surplus, the Group's net profit attributable to the Company's shareholders was HK\$23.1 million (2011: HK\$44.4 million), equivalent to a basic earnings per share of HK3.4 cents (2011: HK6.6 cents).

As at 30 June 2012, the Group's equity attributable to the Company's shareholders amounted to HK\$10,196.6 million (31 December 2011: HK\$9,889.7 million). The net asset value per share attributable to the Company's shareholders as at 30 June 2012 was HK\$15.23 as compared with HK\$14.78 as at 31 December 2011.

The Group's property assets by geographical location at the period-end were as follow:

	<b>30 June 2012</b> <b>HK\$' million</b>	31 December 2011 HK\$' million
Hong Kong	<b>8,046</b>	7,814
Mainland China	<b>3,641</b>	3,531
Australia and New Zealand	<b>271</b>	271
Total	<b>11,958</b>	11,616

### Business Review

#### Property Investment and Development

The Group continues in focusing on the development and investment projects in Hong Kong and Mainland China. It is the Group's approach to review and optimise the project portfolios from time to time.

#### Hong Kong

The office leasing market was stable during the period. The rental income generated from Dah Sing Financial Centre, a 39-storey commercial building, has been stable and satisfactory and its occupancy rate remains at a high level of approximately 99% as at 30 June 2012.

During the period, the Group continued to sell the remaining units of the developed properties. The sale of remaining residential units and residents' car parking spaces of The Forest Hills and residential units (which are presently leased) of The Morrison are continuing.

The proposed development project at Fo Tan envisages, among other facilities, residential units, car parks, educational facilities and a bus terminus and has a site area of approximately 20,092 square metres. The revised general building plan was approved by the Buildings Department in October 2011 and the foundation works started in June 2012.

### Mainland China

#### *Chengdu, Sichuan Province*

During the period, the occupancy rate for the two 30-storey office towers of Plaza Central improved substantially and its retail podium with a gross floor area of about 29,000 square metres has been fully let principally to Chengdu New World Department Store on a long-term lease. As at 30 June 2012, the aggregate occupancy rate for the two office towers and the retail podium was approximately 93%. Leasing activities for the remaining areas of Plaza Central continue.

The shopping arcade of New Century Plaza with a gross floor area of about 16,300 square metres has been fully let to a furniture retailer on a medium-term lease.

The Group is now finalising the master layout plan of the Longquan project, which has a site area of 506,000 square metres, and targets to submit the master layout plan to the local government before the end of this year. Preliminary site works of the project have been completed and site formation works for Phase I are being planned to commence before the end of this year.

#### *Kaifeng, Henan Province*

The project in Kaifeng, known as “Nova City”, has a site area of 735,000 square metres and it is proposed to be developed into an integrated complex in Zheng-Kai District, a new town in Kaifeng. The proposed development has a gross floor area of approximately 3,000,000 square metres envisages shopping mall, premium offices, exhibition hall, hotel, serviced apartments and residential towers. Master layout plans are being revised to incorporate the latest government comments in order for re-submission. Preliminary site works have been completed while construction works of Phase I of the project are planned to start later this year.

#### *Guangzhou, Guangdong Province*

As at 30 June 2012, the occupancy rate of the 14-storey office tower of Westmin Plaza Phase II of about 16,100 square metres was approximately 86% with more than one-third of the total office space being leased to AIA. Leasing activities for the 3-storey shopping arcade of Westmin Plaza Phase II with a total gross floor area of about 26,400 square metres are in progress.

#### *Huangshan, Anhui Province*

The project in Huangshan has a site area of about 333,500 square metres comprising about 66,700 square metres of land owned by the Group and about 266,800 square metres of land leased from the local authority. An overall development plan for a hotel, serviced apartments and resort villas in the integrated resort site has been prepared and conceptual design has been completed.

### *Chi Shan, Nanjing, Jiangsu Province*

The Group has established two 51%-owned joint venture companies to participate in the tenant relocation arrangements and excavation and infrastructure works on certain pieces of lands in Chi Shan. The Group intended to acquire such lands through land auctions and has submitted master layout plans for these lands for the government's assessment.

### Australia and New Zealand

Turnover generated from the property investment and development projects in Australia and New Zealand for the six months ended 30 June 2012 was HK\$12.5 million (2011: HK\$13.8 million). During the period, the Group had disposed the remaining block of Kaikainui Block in New Zealand. The strategy to sell the existing properties in Australia and New Zealand remains unchanged.

### Hotel Operation

Crowne Plaza Hong Kong Causeway Bay is a 29-storey five-star hotel comprising 263 guest rooms with ancillary facilities and is presently managed by the InterContinental Hotels Group. It has achieved satisfactory occupancy and room rates for the period under review.

## **Financial Resources and Liquidity**

### Working Capital and Loan Facilities

As at 30 June 2012, the Group's total cash balance was HK\$1,884.1 million (31 December 2011: HK\$2,486.5 million) and unutilised facilities were HK\$910 million (31 December 2011: HK\$750 million).

Gearing ratio as at 30 June 2012, calculated on the basis of net interest bearing debt minus cash and pledged deposits as a percentage of total property assets, was 9.6% (31 December 2011: 9.4%).

As at 30 June 2012, maturity of the Group's outstanding borrowings was as follows:

	<b>30 June 2012</b> <b>HK\$' million</b>	31 December 2011 HK\$' million
Due		
Within 1 year	<b>547.0</b>	1,055.2
1-2 years	<b>124.3</b>	116.4
3-5 years	<b>2,038.9</b>	2,081.3
Over 5 years	<b>336.1</b>	349.3
	<b>3,046.3</b>	3,602.2
Less: Front-end fee	<b>(17.1)</b>	(18.8)
	<b>3,029.2</b>	3,583.4

## Pledge of Assets

For the Company's subsidiaries operating in Hong Kong and Mainland China, the total bank loans drawn as at 30 June 2012 amounted to HK\$2,869.1 million (31 December 2011: HK\$3,422.3 million) which comprised secured bank loans of HK\$2,519.1 million (31 December 2011: HK\$3,162.3 million) and unsecured bank loans of HK\$350.0 million (31 December 2011: HK\$260.0 million). The secured bank loans were secured by properties valued at HK\$9,426.7 million (31 December 2011: HK\$9,103.9 million) and fixed deposits of HK\$0.8 million (31 December 2011: HK\$0.8 million).

Certain subsidiaries of the Company operating in New Zealand and Australia pledged their properties with an aggregate carrying value of HK\$270.7 million as at 30 June 2012 (31 December 2011: HK\$270.9 million) to secure bank loans of HK\$160.1 million (31 December 2011: HK\$161.1 million).

## Treasury Policies

The Group adheres to prudent treasury policies. As at 30 June 2012, all of the Group's borrowings were raised through its wholly-owned or substantially controlled subsidiaries on a non-recourse basis.

## **Staff and Emolument Policy**

As at 30 June 2012, the Group had a total of 411 employees (31 December 2011: 393 employees) in Hong Kong, Mainland China and New Zealand. Employee costs, including the emoluments of the directors of the Group, amounted to HK\$73.2 million for the six months ended 30 June 2012 (2011: HK\$63.2 million).

The Group maintains a good working relationship with its employees and continues to recruit, retain and develop competent individuals committed for its long-term success and growth. Salary and benefits of employees are reviewed at least annually both in response to market conditions and trends, and in conjunction with individual appraisals based on qualifications, experience, skills, responsibilities, performance and development potentials. Discretionary bonuses are granted in line with the Group's financial results and employees' performance. Fringe benefits including medical insurance scheme, study and training allowances, examination leave and voluntary employer contributions to retirement schemes are offered to employees. In addition, to retain and motivate management staff and good performers, the Company has adopted an employee share option scheme and a share award scheme with options to subscribe for shares in the Company and awards of shares being granted by the Board to the Group's employees (including directors of the Company) on a discretionary basis. To further enhance employee relations and communications, recreational activities for general staff with senior management's participation are arranged.



## **Outlook**

With deep trouble in the world's financial markets, there is much to be concerned about. The American economy appears to be slowing with stubbornly high job vacancies. The European financial system is suffering from political inertia with the situation in Spain getting worse by the moment and Greek default imminent. The momentum on economic growth in Germany and China is also slowing down. In Europe, more banks are being involved in the recent scandal on LIBOR and class actions starting to occur from customers as these banks manipulate the system to their advantage with their customers suffering.

The Mainland China housing market has seen signs of bottoming out after a period of government intervention to suppress prices. House buying in the eastern cities was particularly strong in July with a 6.7% increase in national sales over June. However, the PRC government is likely to intervene again if the market economy is improving. In the meantime, the PRC government is trying to tread a fine line between giving stimulus to a slowing economy and keeping a lid on house prices.

In Hong Kong, there has been a change of chief executive and his cabinet since 1 July 2012. The new cabinet has pledged to increase the housing stock particularly at the lower end of the market but we believe that the measures will take some time to implement. In the meantime, property prices remain fairly flat.

Our investment properties in Hong Kong continue to do well. Dah Sing Financial Centre has maintained a high occupancy level with good rental rates being achieved although rents in the central business district have been softening. Crowne Plaza Hong Kong Causeway Bay is enjoying high occupancy whilst the room rates are slightly better than last year.

Foundation works have started at our composite development project in Fo Tan while the foundation work for the first phase of our Kaifeng project will commence in the fourth quarter of 2012. The master layout plan for Chengdu project is at final stage and will be submitted to local government for discussion. The office buildings in Chengdu and Guangzhou continue to perform well with good occupancy.

The Group is nonetheless extremely cautious about the state of the global financial markets and economies and will continue to adopt a conservative policy. The Board believes that this turmoil will bring about opportunity and is prepared to act to accelerate the development projects or consider new opportunities once a clearer pattern emerges from the current hiatus.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2012.

## CORPORATE GOVERNANCE

The Stock Exchange made various amendments to the Code on Corporate Governance Practices (the “Old CG Code”) contained in Appendix 14 to the Listing Rules and renamed it as the Corporate Governance Code (the “New CG Code”) with effect from 1 April 2012. The Company has applied the principles and complied with all the code provisions set out in the Old CG Code during the period from 1 January 2012 to 31 March 2012 and the New CG Code during the period from 1 April 2012 to 30 June 2012 except for the following deviations:

- *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 this code provision for the time being. The Chairman who is holding the office of Managing Director of the Company 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 considerably long period and has withstood the test of time and that 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 while the market sentiment may vary quite significantly in different areas of the Asia Pacific region in which the Group operates. In addition, the Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises conscientious, experienced and high calibre individuals including three Independent Non-executive Directors.
- *Code provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term.* Each of the existing Non-executive Directors (including the Independent Non-executive Directors) of the Company does not have a specific term of appointment but is subject to retirement by rotation and re-election at the annual general meetings pursuant to the Bye-laws of the Company. The Bye-laws require that every director will retire from office no later than the third annual general meeting of the Company after he was last elected or re-elected. In addition, any person appointed by the Board to fill a casual vacancy or as an additional director (including Non-executive Director) will hold office only until the next general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provision and therefore does not intend to take any remedial steps in this regard.

In addition to the above deviations, Mr. Walujo Santoso, Wally, an Independent Non-executive Director, was unable to attend the annual general meeting of the Company held in May 2012 as provided for in Code provision A.6.7 due to other business engagement. However, all other Independent Non-executive Directors were present thereat to be available to answer any question to ensure effective communication with shareholders of the Company.

## REVIEW OF INTERIM FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Group for the six months ended 30 June 2012 have not been audited but have been reviewed by the audit committee of the Company, and by Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## **PUBLICATION OF INTERIM REPORT**

The 2012 Interim Report of the Company containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.seagroup.com.hk](http://www.seagroup.com.hk) under “Investor Relations/Financial Reports” not later than late September 2012.

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

Hong Kong, 27 August 2012

At the date of this announcement, the Board comprises the following members:

<i>Executive Directors:</i>	Messrs. Lu Wing Chi ( <i>Chairman and Managing Director</i> ), Lu Wing Yuk, Andrew, Lincoln Lu and Lambert Lu
<i>Non-executive Director:</i>	Mr. Lam Sing Tai
<i>Independent Non-executive Directors:</i>	Messrs. Walujo Santoso, Wally, Leung Hok Lim and Chung Pui Lam